



GUJARAT STATE PETROLEUM CORPORATION LTD.

(A Govt. of Gujarat Undertaking)

27th Annual Report 2005 - 2006





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CHAIRMAN

Shri Balwant Singh, IAS

MANAGING DIRECTOR

Shri D. Jagatheesa Pandian, IAS

BOARD OF DIRECTORS

Shri P V Swaminathan, IAS (Retd.)

Shri K. Kailashnathan, IAS

Shri P. K. Pujari, IAS

Shri Hasmukh Adhia, IAS

Shri Tapan Ray, IAS

Shri Suresh Mathur

Dr Urjit Patel

EXECUTIVES

Shri Subhash Dave, GM (Finance & Accounts)

Shri R N Pandey, GM (Geosciences)

Shri Michael Weir, GM (HR & Admin.)

Shri M Y Farooqui, GM (P&D)

Shri Jayesh Dave, GM (A/c)

STATUTORY AUDITORS

Kantilal Patel & Co.

Chartered Accountants, Ahmedabad

(A Member firm of Polaris International, USA)

INTERNAL AUDITORS

Deloitte Haskins & Sells

Chartered Accountants,

Ahmedabad

BANKERS

Bank of India

Bank of Baroda

Corporation Bank

Development Credit Bank

ICICI Bank Ltd.

IDBI Bank Ltd.

Punjab National Bank

State Bank of India

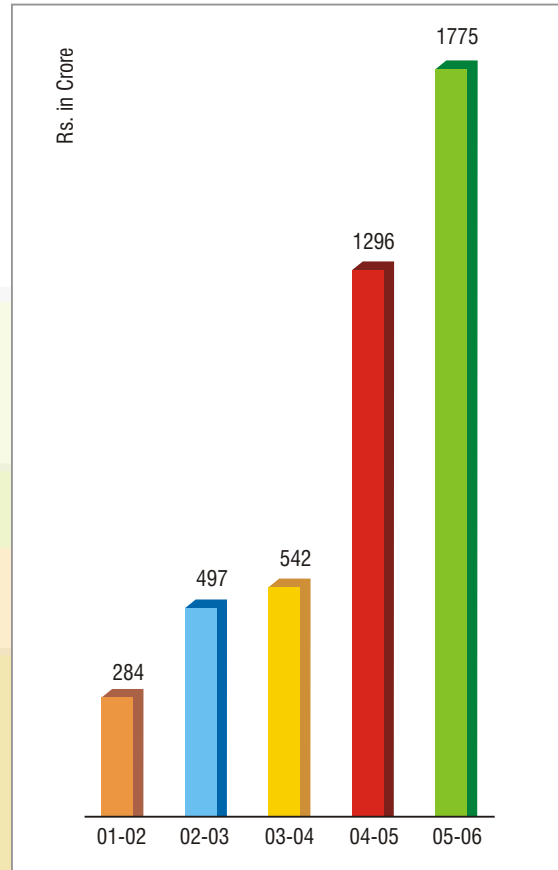
UTI Bank Ltd.

CORPORATE & REGISTERED OFFICE

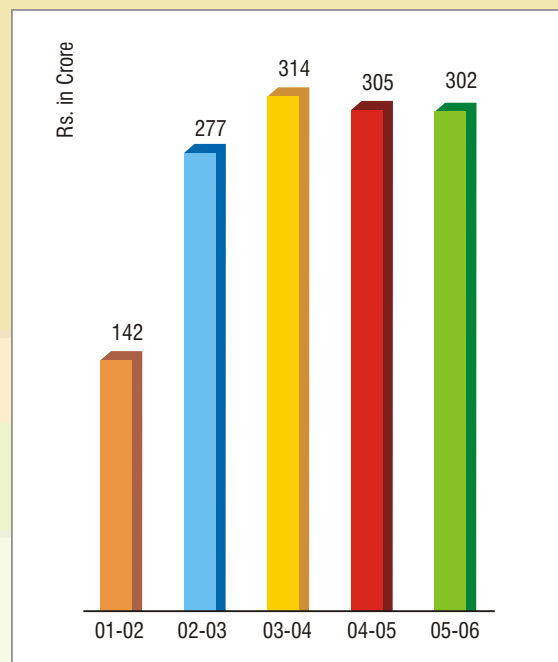
GSPC Bhavan, Behind Udyog Bhavan,

Sector-11, Gandhinagar-382011.

TURNOVER



PROFIT BEFORE TAX



DIRECTORS' REPORT

The Members,

The Directors are pleased to present their report on performance of GSPC together with the Audited Statement of Accounts for the financial year ended 31st March 2006

FINANCIAL RESULTS

(Rs. In crore)

Particulars	2005-06	2004-05
INCOME		
Join Ventures	575.97	533.6
Gas Trading	1173.99	743.64
CNG/PNG/IOCL	17.15	9.72
Other Income	8.76	9.29
TOTAL INCOME	1,775.87	1,296.25
Profit Before Depreciation, Deferred Expenditure & Taxes	420.16	406.35
Depreciation/Depletion for the year	97.11	101.18
Profit for the year	323.05	305.17
Depreciation/Depletion for earlier years	66.12	0
Less: Transferred from General Reserve	46.00	0
Profit Before Tax	302.93	305.17
Provision for Taxation	21.54	24.30
Profit After Tax (PAT)	281.39	280.87

Your Company's performance during the year has indeed been impressive; the turnover of the company increased from Rs. 1,286.76 crore in Previous Year to Rs. 1,766.40 crore in 2005-06. Out of the total turnover of Rs. 1,766.40 crore during the Financial Year, turnover of Rs. 1173.99 crore is attributable to trading of natural gas by the Company.

Further, Cash Profit has increased from Rs. 406.35 crore in Previous Year to Rs. 420.16 crore in 2005-06 and PAT has marginally increased from Rs. 280.87 crore in previous year to Rs. 281.39 crore in 2005-06.

DIVIDEND

Your Directors are pleased to recommend dividend @ 20% for the Financial Year ending on 31st March, 2006. Total outgo on account of dividend payment would be Rs.24.08 crore.

BUSINESS ACTIVITIES

Oil & Gas Sector has been in the lime light in recent times. Crude price has crossed landmark height of US\$ 75 per barrel. Upward trend in the crude oil prices clearly establish widening demand supply gap and need for encouraging use of alternative fuels. There has been a noticeable change in the Indian Energy Market showing a definite shift towards use of environmental friendly fuel.

Over the last decade primary energy consumption in the world increased at a CAGR (Compounded Annual Growth Rate) of more than 2% mainly due to surge in energy demand from developing countries like India where it has spiraled at a CAGR 4.3%.

Oil and Gas consumption in the world increased at a CAGR of 1.7% and 2.5% respectively, however India registered a CAGR of 4.4% and 6.6% respectively in the last decade. The demand for oil and gas will continue to increase, as they are expected to remain dominant energy sources.

Keeping in view the increasing gas demand in India and available global opportunities, your company finds opportunities in LNG business and is taking appropriate measures to get into the business.

Technology plays an important role in risk mitigation and value addition in E&P industry. The company has inducted best in class technology in all spheres of its exploration and production activities. In addition, your company has entered into service agreements with reputed service providers like Schlumberger, Halliburton, Baker Hughes, Transocean, M I Overseas, B J Services, Weather Ford, Saipem, Atwood Oceanics, Precision Drilling, etc. to have cutting edge in E&P.

GSPC has earned a rare distinction of evolving as a total energy company with remarkable presence across the entire energy value chain spanning wide range of oil & gas activities. With high level of managerial and technical competence, it is working relentlessly to realize the vision of developing Gujarat as a "Petro Capital of India".



Highlights:

- The Company has successfully drilled KG#17 well up to 5601 meters and KG#15 well up to 5745 meters. The Company has managed to drill these wells under HPHT (High Pressure and High Temperature) Environment. The Company has discovered oil and gas reserves in KG # 8 and KG#17 wells. Testing of KG#15 well is in progress

The Company has initiated activities for inducting Technical partner in KG Block for carrying out exploration and production activities in challenging HPHT Environment.

The Company is planning to carry out three rig operations simultaneously to explore the full potential of the KG Block and at the same time ensure timely completion of Deen Dayal Development Plan.

- The Company has discovered oil and gas in Tarapur Block. The Company has acquired additional 3D Seismic Data in Tarapur Block and additional wells will be drilled for exploring the full potential of the block.
- The Company has discovered oil and gas from Sanand – East#1 well and two appraisal wells (PK-2-A-1 and PK-2-A-2) in Ahmedabad Block.
- The Company has entered into strategic alliance for acquiring 1 MMSCMD natural gas from Panna Mukta Tapti field. The Company has also entered in to arrangement for procuring 413 MMSCM of R-LNG from M/s. Hazira LNG Pvt. Ltd. and 71 MMSCM from IOC and BPCL on spot basis.
- The Company has emerged as a Global Player in the E&P Sector. The Company has participated in bidding rounds for acquiring oil / gas acreages in Yemen, Oman, Syria and Australia. The Company has been successful in acquiring two blocks in Australia. Further, the Company has also “farmed in” the Block EPP-27 located in offshore Australia. The Company has been awarded one onshore block in Egypt.
- The Company has submitted bids for 31 Blocks offered under NLEP-VI round of bidding. The Company is likely to be successful in several Blocks under NELP-VI bidding.

- The Company has been awarded two discovered fields namely, S. Patan and Khamboi in Gujarat under Service Agreement with ONGC.
- The Company has promoted GSPC Gas Company Limited and Sabarmati Gas Limited for developing City Gas Distribution Network in the State of Gujarat.
- Strategic investment decision for acquiring equity stake in Krishna Godawari Gas Network Limited for setting up gas transmission and distribution network in the State of Andhra Pradesh.
- The Company has promoted Gujarat Energy & Research Management Institute(GERMI), a world class institution for developing professionals in the Energy Sector.
- Portfolio of oil and gas fields / blocks expanded to 11 discovered oil and gas fields, 12 exploration blocks and one CBM Block in India, three exploration Blocks in Australia and one exploration block in Egypt. The Company is operator in 6 exploration blocks and one discovered field .
- Operationalized (Urjanet) Enterprise Resources Planning (ERP) package for systematic and efficient operation.

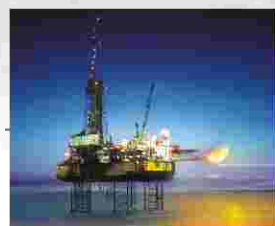
QUALITY, HEALTH, SAFETY AND ENVIRONMENT POLICY

At GSPC Quality, Health, Safety & Environment (QHSE) Policy is of paramount importance.

The Company is committed to achieve high level of QHSE performance as an integral part of company's business performance for sustainable development.

To ensure that the QHSE management system is functioning satisfactorily, the Company has adopted the best auditing mechanisms and the recommendations of such audits are consistently implemented. The Company has taken many initiatives to achieve continuous improvement in QHSE activities which includes formal safety management systems, comprehensive incident and 'near-miss' reporting and investigation system, establishing Emergency Response System and Oil Spill Response Plan, Safety and Environmental audits and Systematic HSE Training for employees.





SUBSIDIARY COMPANIES

Gujarat State Petronet Limited (GSPL)

GSPL is engaged in business of developing pipeline infrastructure for transportation of Gas.

GSPL has successfully commissioned and operationalized 570 kms of pipeline network in a record time.

Turnover of GSPL increased from Rs.203 crore in 2004-05 to Rs. 263 crore in 2005-06. Further, GSPL has also earned PBT of Rs. 78.41 crore in 2005-2006 as against PBT of Rs.29.38 crore in 2004-05.

Annual Report of GSPL for the financial year 2005-06 is annexed to this report.

GSPC Pipavav Power Company Limited (GPPCL)

The company has promoted for setting up a 700MW combined cycle power plant at Pipavav. GPPCL was incorporated in February, 2006.

GSPC (JPDA) Limited

This company was incorporated in October, 2006 for carrying out exploration and production activities in the Block awarded to the Company in Joint Petroleum Development Area by Timor Sea Designated Authority.

JOINT VENTURE/ ASSOCIATES

GSPC Gas Company Limited

GSPC Gas Company limited has been promoted for development of city gas distribution network in the State of Gujarat. This company is expected to grow by leaps and bounds in the years to come.

Sabarmati Gas Limited (SGL)

SGL is formed under a Joint Venture Agreement between GSPC and BPCL for setting up the infrastructure for city gas distribution network in specific areas in the State of Gujarat.

Gujarat State Energy Generation Limited (GSEG)

GSEG is operating 156 MW power plant in the State of Gujarat. GSEG is planning to expand its capacity to 506 MW.

Guj Info Petro Limited (GIPL)

The Company has promoted. GIPL for providing IT related services. GIPL has ambitious plans of venturing into the BPO business.

Gujarat Energy Research and Management Institute (GERMI)

GERMI is a registered society promoted by GSPC with a view to create and train a competent team of professionals in Oil and Gas sector through the system of education, training and continuing professional development programmes.

Vision of GERMI is to become a leading one stop shop for the entire gamut of educational, training and research requirements of the energy sector.

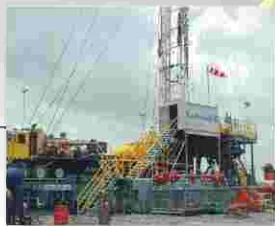
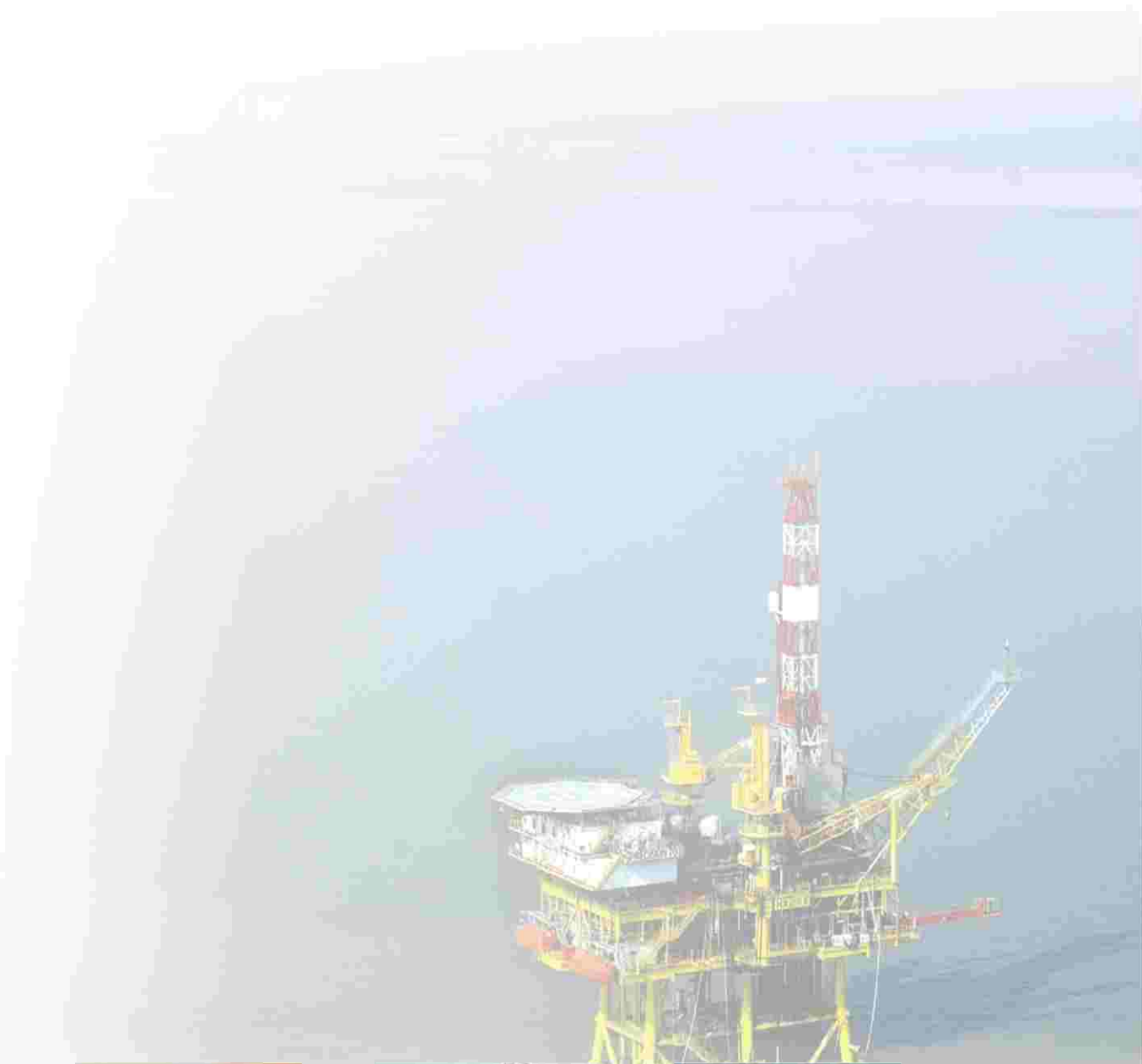
Krishna Godawari Gas Network Limited (KGGNL)

The Company has acquired equity stake in KGGNL. Investment in KGGNL is of strategic importance for the Company since KGGNL is incorporated for developing gas transmission and distribution network in the State of Andhra Pradesh.

SOCIAL COMMITMENT

GSPC coexists with the society and the lives of individuals. Every act of GSPC finds its true intrinsic worth from the society. Therefore, societal development is one of the top priorities for GSPC. Since its inception, the GSPC has been playing active role in community development programmes. GSPC has set up a primary school at Hazira equipped with library, computer centre and well qualified teaching staff. GSPC also provides financial support to medical centers and humanitarian organisations in a bid to enhance the life of lesser privileged sections of the society. In the spirit of a caring corporate citizen, your company has delivered its sympathetic support to the recent nature's fury of flood in Surat.

As a socially responsible organization, blood donation camps are organized at regular intervals. Besides, GSPC assumes leading role in promoting awareness about various social issues affecting the society today like preserving scarce natural resources, girl child education, etc.



The cultural programs, social awareness campaigns and volunteer activities are just the right opportunities for GSPC to act and reinforce its commitment towards the society. GSPC prides itself in being always there for the society and desires to be closely intertwined with the society in the future as well.

FIXED DEPOSITS

During the year, the Company has not accepted any Fixed Deposits from the public.

DIRECTORS

During the year Shri Suresh Mathur, Dr. Urjit Patel, Shri K Kailashnathan, IAS and Shri Tapan Ray, IAS were appointed as additional directors of the company to hold office till the conclusion of next Annual General Meeting. It is proposed to appoint Shri Suresh Mathur, Dr. Urjit Patel, Shri K Kailashnathan, IAS and Shri Tapan Ray, IAS as regular Directors at the ensuing Annual General Meeting.

Pursuant to the provisions of section 256 of the Companies Act, 1956 Shri P. V. Swaminathan, IAS (Retd.) is liable to retire by rotation. He is eligible for reappointment and the Board recommends his reappointment.

AUDITORS

Your Company being a Government Company, the Statutory Auditors are appointed by the Comptroller & Auditor General of India. Accordingly, M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad were appointed as Statutory Auditors of the Company for the financial year 2005-06.

CAG office has given NIL Comment Report for the Financial Year 2005-06. NIL Comment Report of CAG is annexed and forms part of Directors' Report.

AUDIT COMMITTEE

Audit Committee of the Company consists of following Directors,

1. Shri Balwant Singh, IAS
2. Shri P. V. Swaminathan, IAS (Retd.)
3. Shri P. K. Pujari, IAS

Audit Committee at its meeting held on 23rd November, 2006 has approved and recommended the Annual

Accounts for the year ended on 31st March, 2006 for approval of the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm that,

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures
- (ii) accounting policies are selected and applied consistently and judgements and estimates 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 financial year and of profit of the company for that period
- (iii) 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 is taken
- (iv) the annual accounts are prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

During the year under view, none of the employees were drawing remuneration, which require disclosure under Section 217 (2A) of the Companies Act, 1956, as amended, read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy

Your Company is in the business of exploration of oil and gas wherein consumption of energy is not significant. However, the Company is still taking all steps for efficient consumption of energy.

Technology Absorption

The Company has not imported any technology. However, based on the technology used by the Contractors and Joint Venture partners, the Company is continuously upgrading its skills.

Foreign Exchange Earnings and Outgo

Foreign Exchange	Rs. in crores
Earnings	NIL
Outgo	225.99

ACKNOWLEDGEMENTS

The lead in hydrocarbon sector that GSPC has attained so far is indeed the end result of persistent hard work of its employees coupled with unstinted support from the Government of Gujarat.

The Directors are extremely grateful for all the support given by the Government of Gujarat at all levels. Their guidance, encouragement and moral support enabled GSPC to carry out this high risk business of exploration in a bold and professional manner. We take this opportunity to convey our sincere appreciation for the support given by the Energy & Petrochemicals Dept. and Finance Dept.

The Directors convey their sincere appreciation of the valuable services rendered by employees at all levels, without whose valuable contributions the excellent performance and growth of the Company would not have been possible.

The Directors place on record their sincere thanks to the Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbon, Natural Gas Suppliers, Customers, Joint Venture partners and Shareholders for their continuous support and guidance.

For and on behalf of the Board of Directors

Balwant Singh, IAS
Chairman

Date : 8th December, 2006

Place : Gandhinagar

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
GUJARAT STATE PETROLEUM CORPORATION LIMITED, GANDHINAGAR FOR
THE YEAR ENDED 31 MARCH 2006.**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Gujarat State Petroleum Corporation Limited, Gandhinagar for the year ended 31 March 2006.

Place : Ahmedabad
Date : 8-12-2006

(Nand Lal)
PR. Accountant General

AUDITORS' REPORT

Kantilal Patel & Co
Chartered Accountants

202, 'Paritosh'. Usmanpura (Riverside),
Ahmedabad - 380 013, INDIA.
Tele. : 27551333,27552333
Fax : 91-79-27550538
e-mail : services@kpcindia.com

To,
The Members of Gujarat State Petroleum Corporation Ltd.
Gandhinagar

1. We have audited the attached balance sheet of Gujarat State Petroleum Corporation Limited (the Company) as at 31 March, 2006, the profit & loss account and the cash flow statement of the company for the year ended on that date annexed there to in which are incorporated the company's share in the total value of assets, liabilities, expenditure, income and net profit/net loss of twenty one (P.Y. eighteen) joint ventures for exploration and production audited by other auditors or certified by the management. 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 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 [Auditors' Report] Order, 2003 issued by the Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order. Our comments in the Annexure for the matters relating to the company's joint ventures, which are not subject to audit under the Companies Act, 1956 are based on the written representation made by the company's management.
4. As the company is a Government Company, in terms of notification no. G.S.R. 829(E) dated 21st October 2003, issued by department of company affairs, ministry of finance, the clause (g) of subsection (1) of section 274 of the Companies Act, 1956 is not applicable.
5. (i) We have placed reliance on technical commercial evaluation by the management in respect of categorization of wells as exploratory and producing, allocation of costs incurred on them, treatment of capitalization, depletion of producing properties on the basis of the proved developed hydrocarbon reserves and liability for abandonment costs.
(ii) (a) The accounts include assets aggregating to Rs.467.36 crores, liabilities aggregating to RS.0.21 crores, income aggregating to Rs. 576.57 crores and expenditure aggregating to RS.189.63 crores relating to the Company's share in five producing joint ventures, which have been incorporated on the basis of accounts of four joint ventures, audited by other auditors.
(b) In respect of sixteen joint ventures which are under exploration and development phase, exploration development expenditure aggregating to RS.744.44 crores, other assets aggregating to RS.10.47 crores and liabilities aggregating to Rs. NIL crores have been incorporated on the basis of accounts audited by other auditors.
(iii) As stated in Note No.1.12 of Schedule R (B), the corporation has changed the method of depletion of producing properties from depreciation rate as per Schedule XIV of Companies Act, 1956 to "Full Cost Method" for accounting for acquisition, exploration and development costs. The difference of depletion (depreciation) for the earlier years aggregating to Rs.66.12 crores has been charged to the profit & loss account by with drawing Rs. 46 crores from the General Reserve.

Further, had the earlier policy of providing the depreciation as per Schedule XIV of the Companies Act, 1956 been followed, the profit for the year would have been lower by RS.53.54 crores.

- (iv) Attention is invited to Accounting Policy No.10 of Schedule R (A) and also note No.3.3of Schedule- R (8) regarding the measurement of Deferred Tax Liability.
- (v) Attention is invited to Note No.3.2 & No.13.1.1 of Schedule R (8) regarding contingent liabilities towards income tax demands/claims by the Income Tax Authority.

6. Further to our comments referred to in paragraph5 above, we report as follows:

- (i) 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.
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.
- (iii) The balance sheet, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the balance sheet, the profit & loss account and the cash flow statement dealt with this report complies with accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

7. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto and subject to our comments in paragraph 5 (iii) above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the balance sheet, of the state of affairs of the company as at 31stMarch 2006.
- (b) In the case of the profit & loss account, of the 'Profit' of the company for the year ended on that date.

and

- (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For KANTILAL PATEL & CO.,
Chartered Accountants

[Ashwin Amin]
Partner
Membership No.: 35070

Place : Gandhinagar
Date : November 23, 2006

**ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT OF
EVEN DATE TO THE MEMBERS OF
GUJARAT STATE PETROLEUM CORPORATION LIMITED.,
ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2006.**

In terms of the information and explanations given to us and on the basis of such checks of the books and records as we considered appropriate in the normal course of audit and to the best of our knowledge and belief, we state as under:

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) We are informed that the fixed assets other than those which are underground I submerged I under joint venture, having substantial value have been physically verified by the management in phased manner. The reconciliation of physically verified assets with the book records is in progress. Discrepancies (not material in nature) noticed on physical verification and consequential adjustments, if any will be carried on completion of reconciliation.
- (c) The company has not disposed off substantial part of fixed assets during the year.
2. (a) The inventory has been physical verified (excluding inventory with joint ventures and materials in transit) during the year by the management. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of Inventory followed by the management are found reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company has maintained proper records of Inventory. The discrepancies noticed on verification of stocks as compared to book records were not material having regard to the size of the operations of the company and have been properly dealt with in the books of accounts.
3. The company has neither granted nor taken any loan secured or unsecured to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

And hence, paragraphs 4(iii) (b to d, f & g) of the order are not applicable.

4. The company has adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods. On the basis of our examination of the books of accounts and other records, we are of the opinion that there is no major weakness in the internal control system In respect of these areas.
5. Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of paragraph 4(v) of the Order are not applicable to the company.
6. The company has not accepted deposits from public during the year under audit hence the directives issued by Reserve Bank of India and provisions of section 58A & 58M of the Companies Act, 1956 or any other relevant provisions of the Act and .the rules framed there under are considered as not applicable. We are informed that no order has been passed by the company Law Board, National Company Law Tribunal, Reserve Bank of India, any other court I tribunal with regard to the public deposit.
7. The corporation has Internal audit system, which in conjunction with the existing internal controls and checks is by and large commensurate with the size of the corporation and nature of its business. However, the scope of internal audit carried out by the independent firm of Chartered Accountants needs to be further widened to cover more areas to make the system more effective.
8. The Central Government has not prescribed maintenance of cost records under clause (d) of subsection (1) of section 209 of the Companies Act 1956.
9. (a) The Company is generally regular in depositing provident fund, Investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and any other statutory dues to appropriate authorities. According to the information and explanations given to us, no undisputed amount in respect of aforesaid statutory dues were outstanding as at 31st March, 2006 for the period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the disputed statutory dues, which have not been deposited, are as under:

Name of the Statute	Nature of the dues	Amount (Rs. in crore)	Period to which the amount relates (financial year)	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax A. Y. 97-98	1.00	1996-1997	Income Tax Appellate Tribunal
	Income Tax A. Y. 98-99	7.11	1997-1998	Income Tax Appellate Tribunal
	Income Tax A. Y. 01-02	20.49	2000-2001	Income Tax Appellate Tribunal
	Income Tax A. Y. 02-03	67.66	2001-2002	Income Tax Appellate Tribunal
	Income Tax A. Y. 03-04	141.26	2002-2003	Income Tax Appellate Tribunal
The Wealth Tax Act, 1957	Wealth Tax A. Y. 99-00	0.03	1997-1998	Income Tax Appellate Tribunal
	Wealth Tax A. Y. 00-01	0.05	1999-2000	Income Tax Appellate Tribunal

10. The company has no accumulated losses at the end of current financial year and has not incurred cash losses either during the financial year or during the immediately preceding financial year.
11. According to the records made available to us, the company has not defaulted in repayment of dues to financial institutions or banks.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund I nidhi I mutual benefit fund I society to which the provisions of special statute relating to chit fund are applicable and hence paragraph 4(xiii) of the order is not applicable.
14. The company is not dealing in or trading in shares, securities, debentures, and other investments and hence paragraph 4(xiv) of the order is not applicable.
15. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by other company from banks or financial institutions are not prejudicial to the interest of the company.
16. In our opinion, The loan obtained by the company are prima facie in the nature of long term and are applied for the purpose for which it were obtained.
17. According to the information and explanations given to us and on a overall examination of the balance sheet of the company, we report that short term funds, prima-facie have not been used during the year for long term investment.
18. During the year, the company has not made allotment of shares during the year and hence paragraph 4 (xviii) of the order is not applicable.
19. During the year, the company has not issued any debentures and hence paragraph 4 (xix) of the order is not applicable.
20. During the year, the company has not raised any money by way of public issue and hence paragraph 4 (xx) of the order is not applicable.
21. During the course of audit and according to the representation made to us by the company, there is no fraud on or by the company has been noticed or reported during the year.

For KANTILAL PATEL & CO.,
Chartered Accountants

[Ashwin Amin]
Partner
Membership No.: 35070

Place : Gandhinagar
Date : November 23, 2006

BALANCE SHEET AS AT MARCH 31, 2006

Particulars	SCHEDULE	As at 31st March 2006		As at 31st March 2005	
		Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	A		105.61		105.61
Reserves and Surplus	B		1,175.71		964.33
Share Application Money			-		8.50
Loan Funds					
Unsecured Loans	C		270.00		-
Deferred Tax liability (Net)			2.17		2.40
TOTAL			<u>1,553.49</u>		<u>1,080.84</u>
APPLICATION OF FUNDS					
Fixed Assets :					
Gross block	D	895.49		697.61	
Less: Depreciation, Amortisation and Depletion		403.98		240.98	
Net Block			491.51		456.63
Capital Work-in-Progress	E		777.36		290.51
Investments	F		286.83		281.78
Current Assets, Loans and Advances					
Current Assets					
Inventories	G	0.60		0.22	
Sundry Debtors		97.64		73.37	
Cash & Bank Balances		18.74		19.12	
Other Current Assets		-		40.50	
Interest Accrued		0.83		0.73	
Loans and Advances	H	36.36		18.18	
Sub-Total (i)		154.17		152.12	
Less: Current Liabilities and Provisions					
Current Liabilities	I	98.92		79.82	
Provisions		57.46		23.14	
Sub-Total (ii)		156.38		102.96	
Net Current Assets (i-ii)			(2.21)		49.16
Miscellaneous Expenditure (To the extent not written off or adjusted)	J		-		2.76
TOTAL			<u>1,553.49</u>		<u>1,080.84</u>

Significant Accounting Policies and Notes to Accounts

As per our separate report of even date
For Kantilal Patel & Co
Chartered Accountants

[Ashwin Amin]
Partner
Membership No.: 35070

Date : 23/11/2006
Place : Gandhinagar

R

Balwant Singh, IAS
Chairman

Subhash Dave
General Manager - Finance & Accounts

D. J. Pandian, IAS
Managing Director

Date : 23/11/2006
Place : Gandhinagar

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

Particulars	SCHEDULE	For the year 2005-06		For the year 2004-05	
		Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
INCOME					
Gross Sales	K	1,766.64		1,286.78	
Less: Excise duty		0.24		0.02	
Net Sales			1,766.40		1,286.76
Other income	L		8.76		9.29
Increase / (Decrease) in stock			0.71		0.20
TOTAL			1,775.87		1,296.25
EXPENDITURE					
Purchase of Gas / Petroleum Products	M		1,030.07		642.54
Production, Selling & Operational Expenditure	N		307.43		229.61
Payments to and provisions for Employees	O		2.19		1.75
Administrative & Other Expenses	P		15.98		15.89
Interest and Finance Charges	Q		0.04		0.10
Sub-Total			1,355.71		889.89
Profit Before Depreciation, Deferred Expenditure & Taxes			420.16		406.36
Depreciation, Amortization and Depletion			97.11		98.02
Miscellaneous Deferred Exp. written off			-		3.16
Sub-Total			97.11		101.18
Profit for the year			323.05		305.18
Depreciation/Depletion for earlier years (Ref Note 1.12 Schedule-R)		66.12		-	
Less: Transferred from General Reserve		46.00	20.12	-	-
Profit Before Tax			302.93		305.18
Provision for Taxation					
- Current Tax (including Wealth Tax Rs. 126645/- (P.Y. 100,000/-))			21.01		25.01
- Deferred Tax			(0.23)		(0.71)
- Fringe Benefit Tax			0.76		-
Profit After Tax (PAT)			281.39		280.88
Prior period adjustment a/c			0.55		0.13
Net of Excess/Short Provision of Income			(0.62)		(5.45)
Tax made in earlier years			-		-
Profit After Adjustments			281.46		286.20
Balance of Profit of Previous year			917.65		674.62
Amount available for Appropriations			1,199.11		960.82
APPROPRIATIONS					
Proposed/Interim Dividend			21.12		19.01
Tax on Dividend			2.96		2.66
Transferred to General Reserve			250.00		21.50
Surplus carried to Balance Sheet			925.03		917.65
Earnings per Share (Basic & Diluted) face value of Rs. 10 per share			26.65		27.10

Significant Accounting Policies and Notes to Accounts

As per our separate report of even date
For Kantilal Patel & Co
Chartered Accountants

[Ashwin Amin]
Partner
Membership No.: 35070

Date : 23/11/2006
Place : Gandhinagar

R

Balwant Singh, IAS
Chairman

Subhash Dave
General Manager - Finance & Accounts

D. J. Pandian, IAS
Managing Director

Date : 23/11/2006
Place : Gandhinagar

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - A

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
SHARE CAPITAL				
AUTHORISED				
160000000 Equity Shares of Rs. 10/- each (Previous Year		160.00		160.00
160000000 Equity Shares of Rs. 10/- each)				
ISSUED, SUBSCRIBED AND PAID UP				
1105611070 Equity Shares of Rs. 10/- each fully paid up				
Previous Year 105611070 of Rs. 10/- each)				
(Equity shares of 100361070 of Rs. 10/- each are held by				
Government of Gujarat)		105.61		105.61
Total		105.61		105.61

SCHEDULE - B

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
RESERVES AND SURPLUS				
GENERAL RESERVE				
Balance as per last balance sheet	46.68		25.18	
Less: Transferred to Profit & Loss Account	46.00		-	
Add: Transferred from Profit & Loss Account	250.00	250.68	21.50	46.68
PROFIT AND LOSS ACCOUNT		925.03		917.65
TOTAL		1,175.71		964.33

SCHEDULE - C

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
UNSECURED LOANS				
Short Term Loans				
From Banks:				
State Bank of India		140.00		-
From Others :				
- Gujarat State Financial Services Ltd		130.00		
TOTAL		270.00		-

SCHEDULE - D

Rupees in Crores

FIXED ASSETS

Particulars	GROSS BLOCK		DEPRECIATION, DEPLETION and AMORTIZATION			NET BLOCK	
	As at 1-April 2005	As at 31-March 2006	As at 1-April 2005	During the Year	As at 31-March 2006	As at 31-March 2005	As at 31-March 2006
I. Producing Properties	608.57	795.52	216.93	155.26* (Refer Note-1)	371.41	424.11	391.64
II. Other Assets							
Land	6.37	6.37	-	-	-	6.37	6.37
Buildings	24.83	25.72	2.92	1.05	3.97	21.75	21.91
Office Equipments	10.89	11.45	2.42	1.15	3.51	7.94	8.46
Computer Equipments	8.70	9.89	6.23	1.05	7.21	2.68	2.47
Vehicles	2.90	6.12	1.60	0.75	2.35	3.77	1.30
Furniture & Fixtures	5.66	5.96	1.95	0.70	2.65	3.31	3.71
Plant & Machinery	29.69	31.31	8.93	3.32	12.25	19.06	20.77
Intangibles-(Software)	-	3.15	-	0.63	0.63	2.52	-
TOTAL	697.61	895.49	240.98	163.91	403.98	491.51	456.63
Previous Year	283.03	697.61	142.27	98.96	240.98	456.63	140.76
The above includes Company's Share in Joint Venture Assets	621.14	809.96	219.92	156.12	375.36	434.60	401.22
Previous Year	227.02	621.14	128.10	91.82	219.92	401.22	98.92

Notes:

1. An Amount of Rs. 66.12 crores relates to additional charge of depletion on account of the adoption of Full Cost Method and Rs. 46.00 crores are provided from the General Reserves(Opening Balance) as per notes to accounts 1.12
2. An Amount of Rs. 0.70 crores (P.Y. 0.94 crores) included in depreciation for the year has been capitalized as per Accounting Policy 3.3

SCHEDULE - E

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
CAPITAL WORK - IN - PROGRESS				
Corporate Building		0.40		-
ERP Project		-		3.42
CNG Station & PNG		0.27		0.09
OFC Cable Project		1.39		-
Net CWIP in Exploratory & Development				
Gross CWIP in Exploration & Development	892.75		461.55	
Add: Advance towards capital expenses paid to Joint Ventures	97.41		43.79	
Less: Payable towards Joint Ventures for capital expenses	214.86	775.30	218.34	287.00
TOTAL		777.36		290.51

SCHEDULE - F

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
INVESTMENTS				
LONG-TERM INVESTMENTS (FULLY PAID UP)				
QUOTED				
In 3,697,000(P.Y.3,697,000) Equity Shares of Rs.10 of Gujarat Industrial Power Company Ltd. (At cost) {M.V. 237,901,950 (P.Y. 259,899,100)}	10.00		10.00	
In 212,305,270 (P.Y. 208,305,270) Equity Shares of Gujarat State Petronet Ltd. (At cost)ofRs.10 {M.V. 7,802,218,673 (P.Y. shares were not quoted)} (Subsidiary)	213.31	223.31	208.31	218.31
UNQUOTED				
In Bonds (at cost) 10000 (P.Y.10000) Secured, Non Convertible, Redeemable, 9.20%Tax Free Bonds of Sardar Sarovar Narmada Nigam Ltd. of Rs. 10,000/- each	10.00		10.00	
In Bonds (at cost) 100 (P.Y. 100) Secured, Non Convertible, Redeemable, 9%Tax Free Municipal Bonds of Ahmedabad Municipal Corporation of Rs. 1,00,000 each	1.00		1.00	
In 20 (P.Y. 20) HUDCO - Gujarat Punarnirman Special 8% Tax Free Bonds of Housing and Urban Development Corporation of Rs. 5,00,000/- each				
In 500000 (P. Y. 500000) equity shares of Rs. 10/-per share of Gujarat Science At Action Ltd (At cost) fully paid up	0.50		0.50	
In50700000 (P.Y.50700000) shares of Gujarat State Energy Generation Ltd (at cost) of Rs. 10 per share fully paid up (Refer Note 13.1.3)	50.70		50.70	
In 244830 (P. Y. 244830) shares of GSPC Gas Co (at cost) of Rs. 10 per share fully paid up (Previously known as Gujarat State Fuel Management Company Ltd.)	0.24		0.24	
In 25000 (P. Y. 25000) shares of Guj Info Petro Ltd. (at cost) at Rs. 10 per share fully paid up	0.03		0.03	
In 50000 (P. Y. Nil) shares of GSPC Pipavav Co. Ltd (at cost Rs. 10 per share fully paid up (Subsidiary)	0.05	63.52	-	63.47
TOTAL		286.83		281.78
Total Quoted Investments		223.31		10.00
Total Unquoted Investments		63.52		271.78
Total		286.83		281.78
Total Market Value of Quoted Investments		804.01		25.99

SCHEDULE - G

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
CURRENT ASSETS				
INVENTORIES (including Stores & Spares)	0.60	0.60	0.22	0.22
SUNDRY DEBTORS (Unsecured, considered good)				
- More than Six Months	3.09		0.77	
- Less than Six months	94.55	97.64	72.60	73.37
CASH AND BANK BALANCE				
Cash on hand	0.10		0.05	
Balances with Scheduled Banks				
A) In Current Accounts	17.39		16.86	
B) In Fixed Deposit Accounts	1.25	18.74	2.21	19.12
OTHER CURRENT ASSETS				
Short Term Liquid Deposit with GSFS	-		32.00	
Balance with Govt. Treasury in PLA (Rs. 31,394)	-	-	8.50	40.50
INTEREST ACCRUED				
- Investments / Deposits with Banks or PSUs	0.50		0.50	
- Others	0.33	0.83	0.23	0.73
TOTAL		117.81		133.94

SCHEDULE - H

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
LOANS AND ADVANCES				
Unsecured, considered good unless otherwise stated				
Advances Recoverable in cash or in kind or for value to be received		1.61		3.23
Advances to Subsidiary Company		2.30		5.33
Advances to Other Companies & Projects		21.73		7.73
Income tax- Current Tax				
Advance payment of Income Tax	97.22		-	
Less: Provisions	93.78	3.44	-	-
Advances to Employees * {secured Rs. 10345556 (P. Y. Rs. 9407303)}		1.16		1.05
Sundry deposits		6.12		0.84
TOTAL		36.36		18.18

* Maximum outstanding during the year is Rs. 12936478/- (Previous Year Rs. 9403973)

SCHEDULE - I

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
CURRENT LIABILITIES AND PROVISIONS				
A) CURRENT LIABILITIES				
Creditors	51.27		29.75	
Other Liabilities	47.01		50.07	
Interest accrued but not due on Loans	0.64	98.92	-	79.82
B) PROVISIONS				
Provision for Taxation	-		83.51	
<i>Less: Advance Tax</i>	-	-	82.10	1.41
Provision for Proposed Dividend		21.12		19.01
Provision for Dividend Distribution Tax		2.96		2.67
Provision for Leave Encasement and Retirement benefits		0.03		0.05
Provision for Abandonment Cost		33.35		-
TOTAL		156.38		102.96

SCHEDULE - J

	As at 31st March 2006		As at 31st March 2005	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
MISCELLANEOUS EXPENDITURE				
Miscellaneous Expenditure (To the extent not written off or adjusted) (Refer Accounting Policy 16)				
Pre-operative and Project Expenses	0.60		0.97	
<i>Less: Adjusted during the year</i>	0.60	-	0.37	0.60
Deferred Revenue Expenditure	2.16		4.97	
<i>Less: Adjusted during the year</i>	2.16	-	2.81	2.16
TOTAL		-		2.76

SCHEDULE - K

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
GROSS SALES				
Sale of Gas-Joint Ventures		569.19		529.42
Sale of Oil-Joint Ventures		6.78		4.18
Natural Gas		1,173.99		743.64
Piped Natural Gas		1.30		0.72
Petroleum Products		12.22		7.63
Compressed Natural Gas		3.15		1.18
Self Consumption of CNG, Petrol & Diesel		0.01		0.01
TOTAL		1,766.64		1,286.78

SCHEDULE - L

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
OTHER INCOME				
Interest from Long term investments				
Dividend Form Subsidiary Company	5.21		-	
Dividend From Others	0.46		0.37	
Interest Income-Bonds	1.09	6.76	1.09	1.46
Interest Income on :				
Income Tax Refund	0.03		1.18	
Other investments Gross {Tax Deduction at source Rs. 382350/- (P. Y. Rs. 5915898/-)}	0.33	0.36	2.68	3.86
Foreign Exchange-Gain		-		0.01
Other Income - CNG-PNG & Retail Outlet		0.31		0.30
Misc. Income		0.28		0.24
Profit on Sale of Assets {Rs. 10,189 (P. Y. Rs. 12,541)}		-		-
Usage Charges		0.53		0.56
ISP - Income		0.25		0.45
Provision Write back of Interest in Lieu of Dividend		-		1.77
Other Income-Joint Ventures		0.02		0.64
Hire Charges		0.15		-
Gain on Forward transactions		0.10		-
TOTAL		8.76		9.29

SCHEDULE - M

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
Purchase of Gas / Petroleum Products				
Natural Gas	1,040.44		646.17	
<i>Less : Connectivity/Transmission (Net) {TDS amounting to Rs. 13,426,775 (P. Y. Rs. 2,370,445)}</i>	<u>22.92</u>	1,017.52	<u>11.34</u>	634.83
Petroleum Products (Petrol & Diesel)		12.23		7.71
Compressed Natural Gas		0.32		-
TOTAL		<u>1,030.07</u>		<u>642.54</u>

SCHEDULE - N

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
Production, Selling & Operational Expenditure				
CNG Station		0.62		0.39
Petrol & Diesel Outlet		0.09		0.11
Piped Natural Gas		0.48		0.29
Bidding Expenditure		1.41		-
Loss on Forward Transactions (Net)		-		0.48
Duties & Taxes		114.98		73.94
Joint Venture Expenditure				
Production Expenses	28.65		14.04	
Duties & Taxes {includes profit petroleum of Rs. 585,264,828 (P. Y. 484,205,644)}	154.53		135.56	
Foreign Exchange loss	0.33		0.13	
Other expenses	<u>6.34</u>	189.85	<u>4.67</u>	154.40
TOTAL		<u>307.43</u>		<u>229.61</u>

SCHEDULE - O

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES				
Salaries, Wages and Allowances		1.69		1.29
Staff Welfare		0.31		0.19
Contribution to Provident Fund & Other funds		0.19		0.27
TOTAL		2.19		1.75

SCHEDULE - P

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
ADMINISTRATIVE & OTHER EXPENSES				
Telephone, Trunk calls & Postage		0.33		0.23
Traveling Expenses (including Directors' Traveling Rs. 1305777/- (P. Y. Rs. 216243/-)		0.91		0.65
Rent		0.10		0.09
Vehicle Running Expenses		0.28		0.14
Electricity Expenses		0.16		0.14
Conveyance		0.01		0.02
Stationery & Printing		0.11		0.08
Insurance Expenses		0.11		0.28
Administration & Establishment		1.38		0.85
Business Development & Promotion		3.30		2.68
Professional & Technical Expenses		1.95		1.78
Donation		5.01		7.53
Audit Fees		0.08		0.06
Bank Charges		0.20		0.11
Advertisement & Publicity		1.53		0.20
Building Repairs (Previous Year Rs. 14,826/-)		0.01		-
ISP Expenses		0.12		0.36
Net Loss on Sale/discarding of Fixed Assets		-		0.04
Other Expenses		0.39		0.65
TOTAL		15.98		15.89

SCHEDULE - Q

	2005-06		2004-05	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
INTEREST & FINANCE CHARGES				
Interest on Cumulative Fixed Deposits		-		0.03
Interest on Fixed Deposit		-		0.07
Other Interest Charges (Previous Year Rs. 1,855/-)		0.04		-
TOTAL		0.04		0.10

SCHEDULE - R

Significant Accounting Policies and Notes forming part of Accounts

A. Significant Accounting Policies

1. *Basis of Preparation of Financial Statements:*

The Financial Statements conform to Generally Accepted Accounting Principles (GAAP) in India, which comprises statutory provisions The Companies Act,1956 Accounting Standards, Guidance Notes issued by The Institute of Chartered Accountants of India and the practices prevalent in the industry in India.

Accounting Policies not specifically referred to otherwise are consistent with those used in the previous year. In applying the accounting policies consideration hereby given to Prudence, Substance Over Form and Materiality.

2. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognized in the periods in which the results are known/ materialize.

3. *Fixed Assets & Depreciation & Depletion & Amortization.*

3.1. Fixed Assets other than producing properties are stated at cost of acquisition or construction less accumulated depreciation including attributable interest and financial costs till such assets are ready for its intended use.

3.2. Depreciation is provided on written down value method at the rates and in the manner prescribed in Schedule -XIV to the Companies Act, 1956 except the following:

3.2.1. Mobile instruments purchased by the company have been expensed off in the year of its purchase.

3.2.2. Costs incurred on intangible assets-software, resulting in future economic benefits are capitalized as intangible assets and amortized at 40% on written down value method beginning from the date of capitalization.

3.3. No depreciation/depletion has been provided in the accounts of the Joint Ventures, however the depreciation/depletion has been provided for by the Company in respect of its participating interest. From the current year onwards the depreciation (depletion) on development rights and producing properties has been provided in proportion of oil and gas production achieved vis a vis the proved developed reserves considering the estimated future expenditure on developing the reserves. Depreciation on fixed assets used for exploration and drilling activities is initially capitalized as part of exploration or development costs.

3.4. Capital Work in Progress (CWIP) includes advances, adjustments relating to payables and pending capital contribution towards Joint Ventures on account of creation of the assets. Accordingly the net effect of the same, for all Joint Ventures has been grouped and shown under CWIP.

4. *Abandonment Costs*

4.1. The full eventual estimated liabilities towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and provision is made for abandonment cost, based on the latest technical assessment available with the Company.

4.2. Costs relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred after considering the salvage value which is expected to take care of the abandonment costs.

5. Investments:

Investments are long term and are stated at cost. Provision, where necessary, is made to recognize a decline, other than temporary, in the value of investments.

6. Inventories

- 6.1. The Inventory of Petrol and Diesel is valued at cost or realizable value whichever is lower.
- 6.2. Natural gas in pipelines and crude oil in flow lines is technically not feasible to be quantified due to operational constraints and hence not valued and not accounted.
- 6.3. Inventory of crude oil in Joint Ventures are valued as per Crude Offtake and Sale Agreement (COSA).

7. Revenue Recognition:

- 7.1. Company's share of Revenue from Joint Ventures is considered on the basis of Accounts submitted by Joint Ventures.
- 7.2. Sale of crude oil and gas produced from exploratory wells in progress is adjusted from expenditure incurred on such wells.
- 7.3. Sales are inclusive of statutory levies. Any retrospective revision in prices is accounted for in the year of such revision.
- 7.4. Revenue in respect of interest on delayed realizations from customers, if any, is recognized when there is reasonable certainty regarding the ultimate collection.
- 7.5. Profit Petroleum paid to MoPNG is subject to the approval of DGH and difference, if any, is accounted for in the year of settlement of such differences.

8. Accounting for Oil and Gas Joint Ventures

The company has adopted Full Cost Method with effect from 1-4-2005 for accounting for its oil and gas activity and all costs incurred in prospecting, acquisition, exploration and development are accumulated considering the country as a cost center. All Oil and Gas Joint Ventures are in the nature of Jointly Controlled Assets. However the company is writing off the balance of entire cost of the field/block which are abandoned in the year of abandonment. Accordingly assets and liabilities as well as income and expenditure are accounted on the basis of information available on line by line basis with similar items in the company's financial statements according to the participating interest of the company except in cases of abandonment, impairment depletion and depreciation which are accounted as per the accounting policies of the Company.

9. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. The qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

10. Income Tax, Fringe Benefit Tax and Deferred Tax

Tax Expense comprises of Current Tax, Tax on Fringe benefits and Deferred Tax. Current Income Tax is measured at the amount expected to be paid to the income tax authorities after consideration of the applicable provisions of the Income Tax Act, 1961 including benefits, allowances and deductions admissible under the said Act.

Tax on Fringe benefits is measured at the specified rate on the value of fringe benefits in accordance with the provisions of Section 115 WC of the Income Tax Act, 1961.

Deferred Taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier year.

The Company has availed deduction U/s.42 as well as claiming tax holiday U/s 80IB(9) of the Income Tax Act,1961 for exploration / development costs. This has impact of temporary differences which in the management's view, considering the past performance and future estimates will be reversed during the "Tax Holiday Period"- and to that extent the deferred tax is not recognized and accordingly no provision for deferred tax liability in respect thereof is required to be made.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

The Deferred Tax Asset is recognized and carried forward only to the extent that there is a reasonable certainty that the deferred tax asset will be realized in future.

11. Insurance

Insurance claims are accounted for on the basis of claims admitted by the insurers.

12. Retirement Benefits

12.1. The company has defined contribution plan for Provident Fund and the Company's contributions paid/payable thereto are charged to the Profit and Loss Account.

12.2. The Company has defined benefit plan for Superannuation Fund.

12.3. The Company has participated in-group Gratuity scheme of Life Insurance Corporation of India, the contribution is paid as per actuarial valuation at the end of the financial year.

12.4. The Company has participated in Leave Encasement Scheme of Life Insurance Corporation of India, the contribution is paid as per actuarial valuation at the end of the financial year.

13. Foreign Currency Transactions

13.1. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

13.2. Any gain or loss arising on account of exchange difference on settlement or translation is recognized in the Profit & Loss Account except those relating to the acquisition of fixed assets, which are adjusted to the cost of the fixed asset.

14. Impairment

As provided in the Guidance Note on Accounting for Oil & Gas Producing Activities, for the purpose of AS 28 on Impairment of Assets, each cost center used for depreciation (Depletion) purpose is treated as a Cash Generating Unit. An assets is considered as impaired in accordance with Accounting Standard-28 when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and the value in use.). In assessing the value in use, the estimated future cash flow expected from the continuing use of the asset and its ultimate disposal are discounted to their present value using a predetermined discount rate. The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the profit and loss account.

15. Earnings per share

The Company reports Earnings Per Share (EPS) in accordance with Accounting Standard-20 on Earnings Per Share. Basic EPS is computed by dividing the net profit for the year by the weighted average number of Equity Shares outstanding during the year.

16. Misc./Deferred Revenue Expenditure

- 16.1. From the current year the company has changed the policy of treating the expenditures incurred on account of submission of bids for various oil and gas field/blocks which are successful by charging it to the profit and loss account as bidding expenditure rather than deferring the same over a period of five years.
- 16.2. Initial expenditure incurred in CNG & PNG project which are treated as preoperative expenditure and written off over a period of five years has been charged to profit and loss account as business development expenditure as the entire project is proposed to be transferred to GSPC Gas Co Ltd w.e.f. 1-April-06.

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it's probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes.

18. Changes in Accounting Policies

Please refer Accounting Policies No. 8 Relating to Accounting for Oil and Gas Joint Ventures and No. 16 Relating to Misc./Deferred Revenue Expenditure.

B. Notes forming part of Accounts**1. Joint Venture Operations**

The Company has entered into Production Sharing Contracts (PSCs) jointly with various Joint Venture partners as stated below on one part and Ministry of Petroleum & Natural Gas (Government of India) on other part, for exploration of oil and gas in the following fields. Pursuant to the PSCs unincorporated Joint Ventures (JVs) have been formed to undertake necessary economic activities for production of Oil and Gas by entering into a Joint Operating Agreement with them. The details are stated below:

Sr. No.	Joint Venture/ PSCs	Company's PI	Operatorship / Others Partners'	Participation Interest (PI)
A	JVs where GSPC is not operator			
1	Hazira	66.67%	Niko Resources Ltd (Operator)	33.33%
2	Bhandut	60.00%	Niko Resources Ltd (Operator)	40.00%
3	Cambay (<i>Refer Note: 1.4</i>)	66.67%	Niko Resources Ltd (Operator)	33.33%
4	Sabarmati	60.00%	Niko Resources Ltd (Operator)	40.00%
5	Matar (<i>Refer Note: 1.1</i>)	60.00%	Niko Resources Ltd (Operator)	40.00%
6	Asjol	50.0%	Hindustan Oil and Exploration Company Limited (Operator)	50.00%
7	CB-ON/7 (Palej)	50.00%	<i>Exploration</i> Hindustan Oil and Exploration Company Limited (Operator)	50.0%
		35.00%	<i>Development</i> Hindustan Oil and Exploration Company Limited (Operator) Oil and Natural Gas Corporation Limited	35.0% 30.0%

Sr. No.	Joint Venture/ PSCs	Company's PI	Operatorship / Others Partners'	Participation Interest (PI)
8	North Balol	45.0%	Hindustan Oil and Exploration Company Limited (Operator) Heramec, U.K	25.0% 30.0%
9	Dholasan	70.0%	Heramec, U.K (Operator)	30.0%
10	North Kathana	70.0%	Heramec, U.K (Operator)	30.0%
11	Kanawara	70.0%	Heramec, U.K (Operator)	30.0%
12	Allora	70.0%	Heramec, U.K (Operator)	30.0%
13	MB-OSN-2000/1 (Mumbai)	10.0%	Oil and Natural Gas Corporation Limited (Operator) Indian Oil Corporation Limited	75.0% 15.0%
14	MB-DWN-2000/2 (Mumbai)	10.0%	Oil and Natural Gas Corporation Limited (Operator) Indian Oil Corporation Limited GAIL (India) Ltd Oil India Limited	50.0% 15.0% 15.0% 10.0%
15	CB-ONN-2002/2 (Mehsana)	60.0%	Jubilant Enpro Limited (Operator) Geo Global Resources (Barbados) Inc.	30.0% 10.0%
16	CY-ONN-2002/1(Cavery)	20.0%	Enpro Finance Private Limited (Operator) GAIL (India) Ltd	30.0% 50.0%
17	BS(3)-CBM-2003/II	30.0%	Oil and Natural Gas Corporation Limited (Operator)	70.0%
18	AA-ONN-2003/1(Assam)	20.0%	Jubilant Enpro Limited (Operator) GAIL (India) Ltd	30.0% 50.0%
19	EPP-27 (Australia) (Refer Note: 1.3)	33.3%	<i>Exploration</i> Oilex (Operator) Videocon	33.3% 33.3%
		20%	<i>Development</i> Oilex (Operator) Videocon Great Artesian Oil & Gas Limited	20.0% 20.0% 40.0%
B	JVs where GSPC is operator			
20	CB-ON/2 (Tarapur) (Refer Note: 1.5)	100.00%		
21	Unawa	70.00%	Heramec, U.K	30%
22	CB-ONN-2000/1 (Ahmedabad)	50.00%	GAIL (India) Ltd	50%
23	KG-OSN-2001/3 (Refer Note: 1.6)	80.00%	Jubilant Enpro Limited Geo Global Resources (Barbados) Inc.	10% 10%
24	CB-ONN-2002/3 (Sanand)	55.00%	Jubilant Enpro Private Limited Prize Petroleum Company Limited Geo Global Resources (Barbados) Inc.	20% 15% 10%
25	CB-ONN-2003/2 (Ankleshwar)	50.00%	GAIL (India) Ltd Jubilant Enpro Private Limited Geo Global Resources (Barbados) Inc.	20% 20% 10%

- 1.1 The Joint Venture has surrendered the Matar Field to the Government of India. However the same is pending for the approval of Director General of Hydrocarbons (DGH).
- 1.2 Of the above fields/blocks only eight were in production namely Hazira, Bhandut, Cambay, Sabarmati, Asjol, Unawa, North Balol and CB-ON/7 (Palej).
- 1.3 GSPC along with Oilex, Videocon has entered into a Farmin Agreement with Great Artesian Oil & Gas Limited on February 10, 2006 for Block named EPP-27 in Australia. The main terms of the farmin agreement are as under:
- GSPC, Oilex and Videocon to under take Seismic Acquisition Program and complete one well drilling program
 - GSPC, Oilex and Videocon will have the option either to withdraw after the completing the Seismic Acquisition or to earn the participating interest of 20% each by completing one well drilling program
- 1.4 During the current year the GSPC and Niko has entered into a Farm-out agreement on 13th October 2005 with Oilex NL for the assignment of 10% and 20% participating interest in respect of Cambay Field by Niko and GSPC respectively. With this farm out agreement executed between Niko Resources Ltd, GSPCL and Oilex, the participating interest of Niko, GSPC and Oilex NL would be 23.33% , 30% and 46.67% respectively. An approval from Government of India has been received for the above assignment on 23rd March 2006. The main terms of the agreement are:
- The 'Farm-in amount' agreed for assignment of 30 % share is USD 2.956 million.
 - Oilex to develop, deliver and submit a Development plan and work programs pursuant to the terms of the agreement, the PSC and the JOA
 - Oilex will solely fund the joint operations upto the 'Farm-in amount'. Costs in excess of the farm-in amount shall be charged to all the partners as per the participating interest.
- Subsequent to this, an Operating Committee meeting was held among all Cambay Joint Venture Partners on April 12, 2006, wherein a resolution was passed for transferring the Operatorship of the Cambay Joint Venture from Niko Resources Ltd to Oilex effective May 15, 2006.
- 1.5 In Joint Venture for CB-ON/2 (Tarapur) the Company has agreed to assign 20% of its share to M/s GeoGlobal Resources (Barbados) Inc subject to the approval of the Government of India. The deed of assignment in this regard with M/s GeoGlobal Resources (Barbados) has been executed by on 7-April-05 DGH has approved the same w.e.f 24-Aug-06.
- 1.6 In Joint Venture for KG-OSN-2001/3 the Company is additionally liable, jointly and severally, for every obligation of GeoGlobal Resources (India) Inc (GGR) to the extent of its share of 10% in the Joint Venture as per the Carried Interest Agreement (CIA). As per the terms of the agreement the company shall bear GGR's share of any cost during the Exploration phase prior to the start date of commercial production.
- 1.7 Details of Oil and Gas Reserves

Particulars	Proved Reserves (Oil) (MMT)	Proved Reserves (Gas) (Million M3)
As at 1-4-2005	1.561	3,909.39
Additions	0.039	39.15
Deletions	-	-
Production	0.005	960.32
As at 31-3-2006	1.595	2,988.22

The Company's share of reserve of the fields/blocks (only which are in production) have been considered on the basis of internal estimates, estimates given by the operators, Director General of Hydrocarbon reports and independent reservoir reports.

- 1.8 Particulars relating to consumption of stores and spares and Proved and Developed Reserves have not been given in the absence of information.
- 1.9 The financial statements of the Company reflect its share of Assets, Liabilities, Income and Expenditure of the Joint Venture operations which are accounted on a line to line basis with similar items in the Company's accounts to the extent of participating interest of the company as per the various joint venture agreements, in compliance of AS-27. The income and expenditure from Joint Ventures are disclosed separately in the Profit and Loss Account. The summary of the Company's share in Assets & Liabilities of Joint Ventures are as follow:

Rs in Crores

Particulars	As on 31-March-2006	As on 31-March-2005
A. Fixed Assets		
Gross Block	809.96	621.14
Less :Depreciation/Depletion Fund	375.36	219.92
Net Block	434.60	401.22
CWIP	775.30	287.00
B. Current Assets	12.37	3.13
C. Current Liabilities and Provisions	0.21	0.66
D. Contingent Liabilities	0.43	139.60

- 1.10 The Profit and Loss Account of the Company includes its share in Profit or Loss pertaining to the respective Joint Ventures. The summary of Profit and Loss Account for the year ended 31st March 2006 and 31st March 2005 is given as under

Rs in Crores

Particulars	2005-06		2004-05	
	Aggregate of all JVs	GSPC's Share	Aggregate of all JVs	GSPC's Share
INCOME				
Sale of Crude Oil	14.99	6.78	7.37	4.18
Sale of Gas	875.32	569.19	817.49	529.42
Increase/(Decrease) in Stock	1.36	0.57	0.01	0.01
Other Income	0.04	0.02	0.98	0.64
Total Income	891.71	576.57	825.85	534.25
EXPENDITURE				
Production Expenses	44.13	28.65	22.11	14.04
Duties & Taxes	235.71	154.39	208.22	135.56

Rs in Crores

Particulars	2005-06		2004-05	
	Aggregate of all JVs	GSPC's Share	Aggregate of all JVs	GSPC's Share
Foreign Exchange loss	0.53	0.33	0.22	0.13
Administrative exps.	10.12	6.25	7.49	4.67
Total Expenditure before Depreciation/Depletion	290.49	189.63	238.04	154.40
Profit Before Depreciation	601.22	386.93	587.81	379.85

- 1.11 In Joint Venture with Niko Resources Ltd the company has taken the effect of credit notes issued on the customers, to the extent of its share amounting to Rs 2.00 crores (Net Rs.1.62 crores) issued on the customers which was not accounted in the Joint Venture Accounts.
- 1.12 The company has changed the method of depreciation on development rights and producing properties with effect from 1-April-2005 by adoption of Full Cost Method given in the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accounts of India. In the past, depreciation was provided as per Companies Act, 1956 by considering Producing Properties as Plant & Machinery.

In compliance with the Guidance Note, depreciation has been recomputed with retrospective effect.

Consequently, there has been an additional charge of depreciation during the year of Rs. 66.12 crores which relates to the period upto 31st March 2005. An amount of Rs.46 crores has been withdrawn from the General Reserves and the balance amount has been charged to the profit and loss account as Depreciation/Deletion.

The depreciation charge for the current year is lower by Rs. 53.54 crores and the Net Block and Profit for the year is higher by the same amount.

Consequent to the accounting policy no. 8 on Oil and Gas Joint Ventures the company has written off the cost of Matar field as the same has been surrendered by the Joint Venture. The net value of the asset amounting to Rs.0.21 crores has been charged to the profit and loss account as depreciation, depletion and amortization.

2. The borrowing cost amounting to Rs.5.16 crores(P.Y. Nil) has been capitalized to the Oil & Gas exploration projects and is shown as part of CWIP.
3. Income Tax
- 3.1. Provision of Tax (MAT) for the current year is Rs. 21.01 crores (P.Y. Rs. 25.01crores) including provision of wealth tax amounting to Rs 0.012 crores (P.Y. Rs. 0.01crores).
- 3.2. The company has continuously maintained a position that allowances/claims U/s.42 and deduction U/s.80-IB (9) is admissible under the Income Tax Act,1961. This view has not been accepted by the first assessing authorities, which has taken a contrary view. However, the Commissioner of Income Tax (Appeal) (C.I.T.(A)) has accepted the company's contention where appeals have been disposed off in favour of the company. The department has appealed further before Income Tax Appellate Tribunal (I.T.A.T.) against C.I.T.(A)'s orders. The company is confident of its position. No provision is made for such disputed Income tax liabilities, where appeal is disposed of in favor of the company, which is estimated at Rs.237.54 crores and is disclosed as contingent liabilities vide Note 13.1.1.
- 3.3. In view of the company's policy (Refer no. 10) the components of Deferred Tax Assets and Deferred Tax Liabilities are as under

Rs in Crores

Particulars	As on 31-March-2006	As on 31-March-2005
Deferred Tax Liability		
(a) Depreciation	2.17	2.55
(b) Expense Written off for Tax Purpose & Others		0.03
Total (A)	2.17	2.58
Deferred Tax Asset		
(a) Retirement Benefits	-	0.01
(b) Others	-	0.16
Total (B)	-	0.17
Net Deferred Tax Liability (A – B)	2.17	2.41

Net decrease in the Deferred Tax Liabilities of Rs.0.23 crores (P.Y Rs. 0.71 crores) is credited to Profit & Loss Account.

4. Details of Expenditure

(Expenditure incurred during the year on Payments to and Provision for employees and Administrative and Other expenses)

Particulars	2005-06		2004-05	
	Rs in crores	Rs in crores	Rs in crores	Rs in crores
Salaries, Wages and Allowances	2.83		2.53	-
Staff Welfare	0.37		0.25	-
Contribution to Provident Fund & Other funds	0.44	3.64	0.49	3.27
Telephone, Trunk Calls & Postage		0.64		0.55
Traveling Expenses		1.01		0.76
Rent		0.13		0.10
Vehicle Running Expenses		0.68		0.34
Electricity Expenses		0.79		0.70
Conveyance		0.02		0.07
Stationery & Printing		0.58		0.41
Insurance Expenses		0.44		0.28
Administration & Establishment		2.03		1.26
Business Development & Promotion		3.30		2.68
Professional & Technical Expenses		1.95		1.78
Donation		5.01		7.53

Particulars	2005-06		2004-05	
	Rs in crores	Rs in crores	Rs in crores	Rs in crores
Audit Fees		0.08		0.06
Bank Charges		0.20		0.11
Advertisement & Publicity		1.53		0.19
Building Repairs		0.07		0.01
ISP Expenses		0.57		0.36
Net Loss on Sale/discarding of Fixed Assets		-		0.04
Other expenses		1.23		0.93
		23.90		21.43
Less: Allocation to Operated Blocks/Fields		5.73		3.79
TOTAL		18.17		17.64
Payments to and Provisions for Employees		2.19		1.75
Administrative and Other Expenses		15.98		15.89
TOTAL		18.17		17.64

5. The Company has neither accepted nor renewed any fixed deposits from the public since June, 2001 as per Companies Acceptance of Fixed Deposit Rules (1975) u/s 58A of the Companies Act, 1956.

6. Segment Information:

As the company is primarily engaged in one business segment i.e. Oil & Gas (primary) and in one geographical segment(secondary) i.e. India the disclosure requirements of Accounting Standard -17 "Segment Reporting" issued by ICAI are not applicable.

7. In the year 1999-2000, the Company had sold 36" diameter 14km Hazira-Mora pipeline project to its subsidiary company, Gujarat State Petronet Limited (GSPL) for a consideration of Rs.49.50 Crores on as is where is basis. However Niko had initiated legal proceedings in Delhi High Court and also filed a petition in Supreme Court of India seeking directives for appointment of Arbitrators. However during the year 2002-03 GSPC and Niko have decided to amicably resolve and settle the disputes as follows for which a Memorandum of Understanding has been signed on October 3, 2002:

- 7.1 GSPC to regain possession and control from GSPL of 36" pipeline together with cost of associated equipments such as metering facilities and compressor.
- 7.2 Upon GSPL transferring the 36" pipeline back to GSPC the said pipeline shall once again become the joint venture assets of GSPC-Niko as per terms of MOU and outcome of the pending legal / arbitration proceedings.
- 7.3 The reimbursement of cost by GSPC-Niko Consortium to GSPL shall be based on the audited statements of accounts by a mutually agreed auditor firm

However GSPC is yet to gain possession of the pipeline.

8. Related Party Transactions:

As per the Accounting Standard-18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows.

- 8.1 Subsidiary Company - Gujarat State Petronet Limited and GSPC Pipavav Power Company Ltd however as per AS-18, no disclosure is required interalia of transactions with this related party as they are State controlled enterprises.
- 8.2 Associate Companies - Gujarat State Energy Generation Limited, Guj Info Petro Limited, Gujarat State Fuel Management Company Limited, however as per AS-18, no disclosure is required interalia of transactions with these related parties as they are State controlled enterprises.
- 8.3 Key Managerial Personnel:

Shri. D.J. Pandian, IAS- Managing Director

Rs in Crores

PARTICULARS	2005-06	2004-05
Remuneration to Managing Director	0.08	0.05

9. Information pursuant to paragraph 3,4-B, C, D of part II of Schedule VI to the Companies Act, 1956 is given as under.

Rs in Crores

PARTICULARS	2005-06	2004-05
(A) Payment to Auditors		
i) Audit Fees	0.08	0.01
ii) Out Of Pocket Expenses	0.01	-
(B) Managerial Remuneration		
i) Salaries	0.05	0.09
ii) Pension	0.02	0.01
ii) Leave Salary	0.01	0.01
(C) Expenditure in Foreign Currency	225.99	119.74
Value of Import on CIF Basis		
a) Capital Goods	-	-
b) Foreign Travel	-	0.03
c) Consultancy & Technical Fees	-	-
d) Subscription	0.04	0.02
e) Bandwidth Charges	-	0.03
f) Others (including payments to Joint Ventures)	225.94	119.66

Provisions of Section 198 of the Companies Act, 1956 do not apply to a government company.

10. The Company is not a manufacturing company but is a partner in various consortiums engaged in the prospecting, exploring and producing of oil and gas. The information given below as required under items 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 represents the Company's share in the joint ventures.

10.1 Sales Turnover

Description	Unit	Quantity	Value (Rs.) (In Crores)
Crude Oil	Barrels	34,814	6.78
		(21,788)	(4.18)
Gas	Lakh M3	9,603	569.19
		(8,835)	(529.42)

10.2 Opening and Closing Stock of Goods Produced

Description	Unit	Quantity	Value (Rs.) (In Crores)
Opening Stock			
Crude Oil	Barrels	258.45	0.05
		(195.51)	(0.01)
Closing Stock			
Crude Oil	Barrels	2,084.08	0.42
		(258.45)	(0.05)

10.3 Licensed Capacity, Installed Capacity and Actual Production

Description	Unit	Licensed Capacity Per Annum	Installed Capacity Per Annum	Actual Production for the Year
Crude Oil	Barrels	N.A.	N.A.	36,902
				(21,937)
Gas	Lakh M3	N.A.	N.A.	9,603
				(8,834)

* Figures in brackets relate to previous year.

11. Earning Per Share (EPS)

The basic/diluted earning per equity share is calculated as stated below:

Particulars	As on 31-March-2006	As on 31-March-2005
Net Profit After Tax	Rs. 2,814,577,183	Rs. 2,861,923,418
Weighted average numbers of equity shares	105,611,070	105,611,070
Basic/Diluted Earnings Per Share (EPS)	Rs. 26.65	Rs. 27.10
Nominal Value per share	Rs. 10.00	Rs. 10.00

12. Misc./Deferred Revenue Expenditure:

As per the change in the policy mentioned as policy no. 16 of schedule R the company has charged the balance of the Misc/Deferred Revenue expenditure account to the profit and loss account for an amount of Rs. 2.75 crores. The charge to the Profit & Loss to the respective accounts has reduced the profit by an additional amount of Rs 1.54 crores.

13. Contingencies and Commitments:

13.1 Contingent Liabilities

- 13.1.1. Claims against the company not acknowledged as debts which in the opinion of the Management are not tenable/under appeal at various stages:-

Rs in Crores

Particulars	As at 31-March-2006	As at 31-March-2005
a. Income Tax disputes where case is decided in favour of company in appeal and Income Tax Deptt has further gone for appeal. The company expects a favorable decision	237.54	96.28
b. Wealth Tax	0.08	0.08

- 13.1.2. Bank Guarantees, Letter of Credit and performance guarantees given by the company

Rs in Crores

Particulars	As at 31-March-2006	As at 31-March-2005
Letter of Credits	196.94	41.37
Financial & Performance guarantees to Ministry of Petroleum and Natural Gas (MOPNG)	226.89	310.86
Other Bank Guarantees *	571.29	44.20

* This also includes the counter guarantee given by GSPC to the Banks.

- 13.1.3. The company has given the following Guarantees/Security on behalf of Gujarat State Energy Generation Limited (GSEG):

- Security by way of pledging GSPC's Investment in Equity Shares {22,949,969 shares. (P.Y. 22,949,969 shares)} of Gujarat State Energy Generation Ltd equivalent to Rs.22.95 Crores to various banks/FIs of GSEG.
- Provided Corporate Guarantee for the payments to the Fuel Supplier and to the O&M Contractors of GSEG. In case of any default by GEB in making payments, the amount paid to the Fuel Supplier and the O&M Contractor, would be recovered from the Government of Gujarat Guarantee provided to GSEG. In addition GSEG has provided Bank Guarantee to the Fuel Supplier to mitigate the risk to that extent.

13.2. Estimated amount of contracts remaining to be executed on capital account and not provided for

- 13.2.1. In respect of Joint Ventures Rs 0.41crores (PY Rs.139.6 crores)

- 13.2.2. In respect of others- Rs.3.75.crores (P.Y.Rs.1.81 crores)

14. None of the suppliers have claimed small-scale industrial undertakings status relating to data for outstanding for more than 30 days.
15. Some of the Balances of Debtors, Creditors, Loans and Advances are subject to confirmation/reconciliation. Adjustment, if any, will be accounted on receipt/confirmation of the same.
16. Previous year's figures have been re-grouped/reclassified or rearranged wherever necessary to make them comparable with those of current year.

As per our separate report of even date

For Kantilal Patel & Co
Chartered Accounts

Balwant Singh, IAS
Chairman

D. J. Pandian, IAS
Managing Director

[Ashwin Amin]
Partner
Membership No.: 35070

Subhash Dave
General Manager - Finance & Accounts

Date : 23/11/2006
Place : Gandhinagar

Date : 23/11/2006
Place : Gandhinagar

**Balance Sheet Abstract and Company's General Business Profile as per
Part IV of Schedule VI to the Companies Act, 1956**

PARTICULARS	(Rs in '000)
I. Registration Details	
Registration No.	3281
State Code	4
Balance Sheet Date	31-03-2006
II Capital Raised During The Year	
Public Issues	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil
III Position of Mobilisation and Deployment of Funds:	
Total Liabilities	17098617
Total Assets	17098617
Source of Funds	
Paid up Capital	1056111
Reserves and Surplus	11756910
Share Application Money	0
Secured Loans	-
Unsecured Loans	2700000
Deferred Tax liability (Net)	21704
Application of Funds	
Net Fixed Assets	12688748
Investment	2868255
Net Current Assets	(22,278)
Miscellaneous Expenditure	-
Accumulated losses	-
IV Performance of the Company	
Total income	17758682
Total Expenditure	14729396
Profit Before Tax	3029286
Profit After Tax	2813897
Earnings Per Share (Rs.)	26.65
Dividend Rate (%)	20%
Generic Names of Principal Products/Services of the Company (As per Monetary Terms)	
Item Code No.	N.A.
Product Description	N.A.
Item Code No.	N.A.
Product Description	N.A.

As per our separate report of even date

For Kantilal Patel & Co
Chartered Accountants

Balwant Singh, IAS
Chairman

D. J. Pandian, IAS
Managing Director

[Ashwin Amin]
Partner
Membership No.: 35070

Subhash Dave
General Manager - Finance & Accounts

Date : 23/11/2006
Place : Gandhinagar

Date : 23/11/2006
Place : Gandhinagar

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006*Rs in Crores*

PARTICULARS	2005-06	2004-05
Cash Flow from Operating Activities		
Profit after Tax	281.46	286.19
Add : Income Tax	20.39	19.56
Deferred Tax	(0.23)	(0.71)
Fringe Benefit Tax	0.76	-
	302.38	305.04
Add : Depreciation and Amortisations being non-cash item		
Depreciation	117.23	98.02
Interest & Finance Charges	0.04	0.58
Loss on Sale of Assets	-	0.04
Foreign Exchange Loss	0.33	-
Misc. Exp. Written Off	2.75	3.16
	422.73	406.84
Less : Interest / Dividend Income	7.12	5.32
Profit on sale of Assets {Rs.10,189, P.Y.(Rs.12,541)}	-	-
Interest in lieu of Dividend - Write Back	-	1.76
	415.61	399.76
Add / Less : Working Capital Adjustments		
Increase / Decrease in current Assets (-)	(9.63)	(27.79)
Increase / Decrease in current Liabilities (+)	7.58	26.98
	413.56	398.95
Less : Direct Tax Paid	24.10	26.82
Add : Prior Period Adjustment	0.55	0.13
Net Cash Flow from Operating Activities (A)	390.01	372.26
Cash Flow from Investing Activities		
Purchase of Assets / CWIP including Joint Ventures (Net)	(664.35)	(394.86)
Sale of Fixed Assets	0.12	0.26
Investment in Subsidiary	(5.05)	-
Profit on sale of Assets {Rs.10,189, P.Y.(12,541)}	0.00	-
Interest / Dividend Income	7.12	5.25
Net Cash Flow from Investing Activities (B)	(662.16)	(389.35)
Cash Flow from Financing Activities		
Repayment of Share Application Money	(8.50)	
Repayment of Loans (Net)	-	(6.46)
Proceeds from Unsecured Loans	270.00	-
Interest Paid	(0.04)	(1.39)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

Rs in Crores

PARTICULARS	2005-06	2004-05
Dividend Paid (including dividend tax)	(21.68)	(17.91)
Net Cash Flow from Financing Activities (C)	239.78	(25.76)
Net Increase/(Decrease) in Cash and Cash equivalents (D) (A+B+C)	(32.37)	(42.85)
Cash and Cash equivalents at the Beginning of the Year		
Cash on hand	0.05	0.03
Bank Balances	19.06	26.93
Short Term Deposit with GSFS	32.00	67.00
	51.11	93.96
Cash and Cash equivalents at the End of the Year		
Cash on hand	0.10	0.05
Bank Balances	18.64	19.06
Short Term Deposit with GSFS	-	32.00
	18.74	51.11

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 issued by The Institute of Chartered Accountants of India
- Adjustments have not been made to 'Purchase of Fixed Asset' (Investing Activities), on account of increase/decrease in Capital Creditors. The Impact of the above is not readily ascertainable

As per our separate report of even date

For Kantilal Patel & Co
Chartered Accounts

Balwant Singh, IAS
Chairman

D. J. Pandian, IAS
Managing Director

[Ashwin Amin]
Partner
Membership No.: 35070

Subhash Dave
General Manager - Finance & Accounts

Date : 23/11/2006
Place : Gandhinagar

Date : 23/11/2006
Place : Gandhinagar

**Statement Pursuant to Section 212 of the Companies Act, 1956 relation to
Subsidiary Companies**

Rs in Crores

Sr. No.	NAME OF SUBSIDIARY COMPANY	Gujarat State Petronet Limited	GSPC Pipavav Power Company Limited
1	The Financial Year of the Subsidiary Company ended on	31.03.2006	31.3.2006*
2	Date from which it became Subsidiary Company	23.12.1998	22.02.2006
3	Shares of the Subsidiary Company held by the Company on Above date:		
	A. Number of shares held (Face Value Rs. 10/-)	21.23	0.005
	B. Extent of interest of Holding Company at the end of financial year 2005-06.	39.15%	100%
4	The net aggregate amount of Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company.		
	a) Not dealt within the Holding Company's Accounts		
	I) For the Financial Year ended as on 31.03.2006	17.03	Nil
	II) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	6.62	Nil
	b) Dealt within the Holding Company's Accounts		
	I) For the Financial Year ended as on 31.03.2006	Nil	Nil
	II) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	5.21	Nil

* As the first financial year of GSPC Pipavav Power Company Ltd would end as on 31.03.2007, interest in this subsidiary is shown as on 31.03.2006

Balwant Singh, IAS
Chairman

D. J. Pandian, IAS
Managing Director

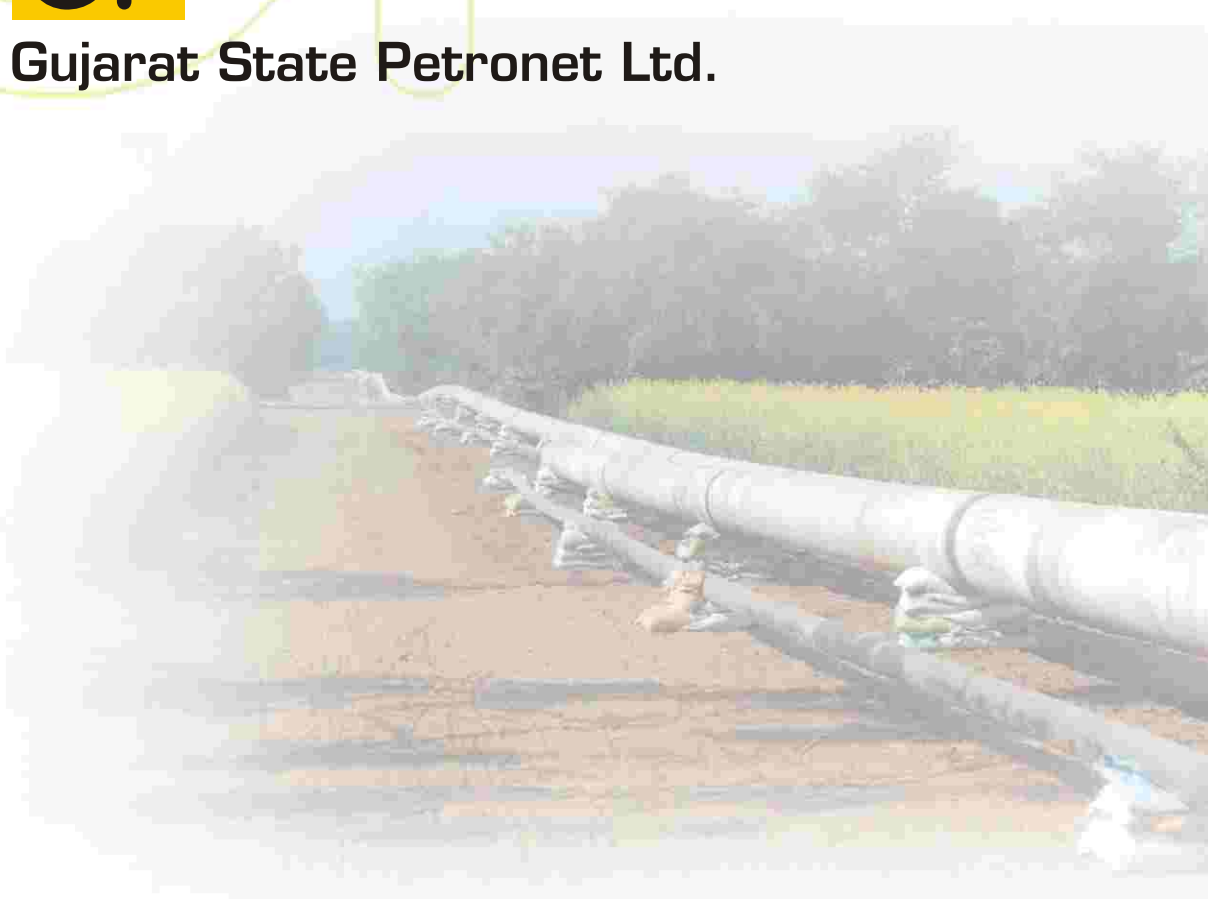
Date : 23/11/2006
Place : Gandhinagar

Subhash Dave
General Manager - Finance & Accounts





Gujarat State Petronet Ltd.



Gas Grid Development - Gujarat



CHAIRMAN

Shri Balwant Singh, IAS

MANAGING DIRECTOR

Shri D. Jagatheesa Pandian, IAS

BOARD OF DIRECTORS

Shri H K Dash, IAS

Shri P K Pujari, IAS

Shri Hasmukh Adhia, IAS

Shri N J Jhaveri

Shri U Sundararajan

Shri Suresh Mathur

Shri Luis Miranda

Shri Darius Pandole (upto 2nd December, 2005)

Shri Jayant Parimal, IAS (upto 29th March, 2006)

COMPANY SECRETARY

Shri Sandeep Dave

STATUTORY AUDITORS

T. N. Shah & Co.,

Chartered Accountants

Gandhinagar.

INTERNAL AUDITORS

KPMG

Mumbai.

BANKERS

Allahabad Bank

Bank of Baroda

Bank of India

Central Bank of India

Corporation Bank

Dena Bank

HDFC Bank Ltd.

IDBI Ltd.

Karur Vysya Bank

Oriental Bank of Commerce

Punjab National Bank

South Indian Bank Ltd.

State Bank of India

State Bank of Bikaner & Jaipur

State Bank of Travancore

UCO Bank

Union Bank of India

UTI Bank Ltd.

Vijaya Bank

CORPORATE & REGISTERED OFFICE

GSPC Bhavan, Behind Udyog Bhavan,

Sector-11, Gandhinagar-382011.





NOTICE

Notice is hereby given that 8th Annual General Meeting of the members of Gujarat State Petronet Limited will be held on Thursday, the 28th September, 2006 at 3.00 p.m. at Town Hall, Sector-17, Nr. Gh-4 Circle, Opp. Udyog Bhavan, Gandhinagar – 382 017 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Annual Accounts for the year ended on 31st March, 2006, Auditors' Report, Report of the Comptroller and Auditor General of India and Directors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri P K Pujari, IAS, Director who retires by rotation and being eligible offers himself for re-appointment.
4. To fix remuneration of Statutory Auditors of the Company in terms of provisions of section 224 (8)(aa) of the Companies Act, 1956.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolutions as Ordinary Resolutions:

5. "RESOLVED THAT Shri Luis Miranda, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 148 and 267 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. "RESOLVED THAT Shri U Sundararajan, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. "RESOLVED THAT Shri N J Jhaveri, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. "RESOLVED THAT Shri Suresh Mathur, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
9. "RESOLVED THAT Shri Hasmukh Adhia, IAS who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 141(a) and 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

**By order of the Board of Directors,
Sandeep Dave
Company Secretary**

Date : 22nd August, 2006
Place : Gandhinagar
Registered Office
GSPC Bhavan, Sector -11,
Gandhinagar – 382 011.





Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENTS APPOINTING PROXY TO BE VALID AND EFFECTIVE MUST REACH TO THE REGISTERED OFFICE OF THE COMPANY MINIMUM 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. Members / proxies are requested to bring their attendance slip along with their copy of Annual Report to the meeting.
4. An Explanatory Statement pursuant to Section 173(2) of Companies Act, 1956 is annexed hereto.
5. Members desirous of getting any information related to accounts or operations of the Company are requested to send in their queries so as to reach the company's registered office atleast 7 days in advance before the date of meeting to enable the management to keep the information ready.
6. The register of members and share transfer books of the Company shall remain closed from Tuesday, September 19, 2006 to Thursday, September 28, 2006 (both days inclusive) for the purpose of payment of the dividend. The dividend, if declared at the ensuing Annual General Meeting shall be paid, on or after September 28, 2006 to those members of the Company whose names appear (a) as beneficial owners as on September 18, 2006 as per the list to be furnished by the depositories in respect of the shares held in electronic form; and (b) as members in the register of members of the Company as on September 18, 2006, after giving effect to all valid share transfers in physical form received on or before September 18, 2006.
7. All transfer deeds, requests for change of address, bank particulars/mandates/ECS mandates, PAN should be lodged with Company's Registrar and Share Transfer Agents, Karvy Computershare Private Limited, "Karvy House", 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034, in case of shares held in physical form on or before September 18, 2006. The above details in respect of the shares held in electronic form should be sent to the respective depository participants by the shareholders well in time.
8. Members are requested to furnish the registrar / depository participants, the name and branch of the bank and account number to enable the Company to distribute dividend through Electronic Clearing Services (ECS). In the absence of ECS facility with the shareholder's bank, the bank account details will be printed on the dividend warrants, if available.
9. As stipulated under Clause 49 of the listing agreement with stock exchanges, profile of directors seeking re-appointment / appointment is provided under Section "Board of Directors" of the corporate governance report, which forms an integral part of this Annual Report.



ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956**Item No. 5**

Mr. Luis Miranda was appointed as an Additional Director of the company by the Board of Directors with effect from December 2, 2005 in accordance with the provisions of Article 267 and 148 of Articles of Association of the Company. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. Luis Miranda for appointment as a Director of the Company. The Board recommends the appointment of Mr. Luis Miranda as a Director of the Company in accordance with the provisions of Article 267 of Articles of Association of the Company. No other director except Mr. Luis Miranda is in any way concerned or interested in the said resolution. The Members are requested to approve the resolution.

Item No.6

Mr. U Sundararajan was appointed as an Additional Director of the company by the Board of Directors with effect from October 13, 2005. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. U Sundararajan for appointment as a Director of the Company. The Board recommends the appointment of Mr. U Sundararajan as a Director of the Company. No other director except Mr. U Sundararajan is in any way concerned or interested in the said resolution. The Members are requested to approve the resolution.

Item No.7

Mr. N J Jhaveri was appointed as an Additional Director of the company by the Board of Directors with effect from October 1, 2005. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. N J Jhaveri for appointment as a Director of the Company. The Board recommends the appointment of Mr. N J Jhaveri as a Director of the Company. No other director except Mr. N J Jhaveri is in any way concerned or interested in the said resolution. The Members are requested to approve the resolution.

Item No.8

Mr. Suresh Mathur was appointed as an Additional Director of the company by the Board of Directors with effect from December 2, 2005. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. Suresh Mathur for appointment as a Director of the Company. The Board recommends the appointment of Mr. Suresh Mathur as a Director of the Company. No other director except Mr. Suresh Mathur is in any way concerned or interested in the said resolution. The Members are requested to approve the resolution.

Item No.9

Mr. Hasmukh Adhia, IAS was appointed as an Additional Director of the company by the Board of Directors with effect from March 29, 2006 in accordance with the provisions of Article 141(a) and 148 of Articles of Association of the Company. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. Hasmukh Adhia, IAS for appointment as a Director of the Company. The Board recommends the appointment of Mr. Hasmukh Adhia, IAS as a Director of the Company in accordance with the provisions of Article 141(a) of Articles of Association of the Company. No other director except Mr. Hasmukh Adhia, IAS is in any way concerned or interested in the said resolution. The Members are requested to approve the resolution.

By order of the Board of Directors,
Sandeep Dave
Company Secretary

Date : 22nd August, 2006
Place : Gandhinagar
Registered Office
GSPC Bhavan, Sector -11, Gandhinagar - 382 011.





DIRECTORS' REPORT

To,
The Members
Gujarat State Petronet Limited

The Directors have pleasure in presenting 8th Annual Report and Audited Accounts of the company for the year ended 31st March, 2006.

This is our first report to the shareholders since GSPL's debut in the equity segment of the capital market. Our initial Public Offering met with a resounding success demonstrating investor community's confidence in the company. This has further strengthened your Board's resolve for enhancing shareholders' value continually.

FINANCIAL HIGHLIGHTS

(Rs. In crore)

Particulars	2004-05	2005-06
1. Net Sales / Income from Operations	203.49	263.47
2 Other Income	2.01	4.47
	205.50	267.94
3. Total Expenditure		
a) (Increase) / decrease in stock in trade	0.00	0.00
b) Gas Transportation Charges	45.37	19.23
c) Connectivity Charges	11.34	22.15
d) Staff Cost	2.59	2.74
e) Administration, O & M and other expenses	14.84	25.07
	74.14	69.19
4. Interest Charges	36.34	41.28
5. Depreciation	65.64	79.06
6. Profit Before Tax	29.38	78.41
7. Provision for Taxation		
- Income Tax	1.47	---
- Deferred Tax	11.86	31.51
- Fringe Benefit Tax	--	0.22
Net Profit	16.05	46.68

Major Achievements

- PAT increased from Rs.16.05 crores to Rs.46.68 crores in previous year, recording increase of 191%.
- Since last Directors' Report, the Pipeline under operations have increased from 433 kms to 550 kms.
- Successfully completed IPO of Rs. 372.60 crores for part funding the expansion projects.
- Executed Gas Transmission Agreement with Torrent Power for transmission of 4.9 MMSCMD of gas for a period of 20 years.
- Executed short term gas transmission agreement with Hazira LNG Pvt. Ltd. for transportation of gas up to 3 MMSCMD of gas to NTPC, Kawas.
- 99.6% pipeline grid availability.
- "Accident free" year of operations.
- Successfully implemented mySAP ERP Package.

- ISO-9001/2000 Quality Management System Certification for company's operation and maintenance activities.
- Constructed Mora Gas Terminal, which has facilities to handle multi-source and multi-customer integration at different pressures.

CAPITAL

During the financial year the Authorized Share Capital of the Company was increased by Rs.350 Crores from Rs.350 Crores to Rs.700 Crores.

During the year, your company made an Initial Public Offering of 13.80 Crores equity shares with a price band of Rs.23/- to Rs.27/- for which the subscription was opened from 24th January, to 28th January, 2006. The issue received an overwhelming response from the investors. The price was fixed at the upper band of Rs.27/- per equity share of Rs.10/-. On 16th February 2006, the Equity Shares were listed on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai.

With the allotment of 13.80 Crores equity shares to the public and 5.43 Crores equity shares through private placement, the paid up share capital of the Company has increased from Rs.349.95 Crores to Rs.542.24 Crores.

DIVIDEND

Keeping in view the fund requirements for expansion projects, the Board of Directors of the Company is pleased to recommend dividend @ 2.50% for the Financial Year 2005-06.

Gas Transmission Services

The Company has signed long term GTAs for transporting 22.08 MMSCMD of gas to various customers (Previous year 13.67 MMSCMD).

GAS GRID PROJECT

The Government of Gujarat has always played a proactive role in the development of energy value chain. Gujarat is the first state to plan and execute a state wide Gas Grid on open access principle.

The pipeline grid has been designed as per international benchmarks to cater the peak loads without any modifications.

Projects commissioned:

Since last Directors' Report the Company has successfully commissioned following pipeline projects :

- Anklav-Dhuvaran pipeline project (ADPL). Commissioning of ADPL has made it possible to transport gas to Gujarat State Electricity Company Ltd., Dhuvaran.
- Ambapur-Gandhinagar pipeline project (AGPL). AGPL has enabled transportation of Gas for City Gas Distribution Network in Gandhinagar.
- Kalol-Himmatnagar pipeline project (KHPL). KHPL has enabled GSPL to transport gas for Ceramic Industry in Himmatnagar region.
- Spurline to NTPC, Kawas. This spurline has enabled GSPL to transport Gas to NTPC, Kawas.
- Mora-ONGC, Hazira. Commissioning of this pipeline has provided connectivity to landfall point of Panna Mukta Tapti (PMT) field.

The current span of the Grid under operation is approx. 550 kms and gas is flowing from Hazira / Dahej to various industries in Surat, Bharuch, Baroda, Anand, Ahmedabad and Sabarkantha districts.

Projects on Hand

Your Directors are pleased to inform that the Company has taken initiative for developing pipeline infrastructure in the State of Gujarat.

Currently the following projects are in advanced stage of completion:

- **Mora-Vapi Pipeline Project (30" x 138 kms)**





- **Anand-Rajkot** Pipeline Project (24" x 225 kms + 18" x 69 kms spurline)
- **Kalol-Mehsana** Pipeline Project (18" x 47 kms)
- **Torrent Spur line** (24" x 22 kms)
- **NTPC-Jhanore Spur line** (24" x 12 kms)
- Further, the Company has initiated activities for developing several spur lines (approx. 200 kms X 6" to 24") to connect Industrial clusters and medium size customers along the pipeline network. The Company has taken up development of spur lines in Vapi, Morbi, Mehsana and Baroda regions on priority basis.

Future Plans

The Company is working on future expansion plans. The pipelines, which may be taken up for implementation in future includes:-

- Dharod - Jafrabad.
- Rajkot - Jamnagar
- Bhadbhut - Gana
- Morbi - Mundra
- Baroda - Godhra

Operation & Maintenance activities

The Company has transported 3821.38 MMSCM (Previous year: 3017.548 MMSCM) of gas during the Financial Year under review.

The Gas Grid is being operated as per International Safety Standards and Set Systems and Maintenance Procedures so as to achieve 100% availability of Gas Grid with zero accidents and meeting customer satisfaction.

HEALTH, SAFETY AND ENVIRONMENT

The Company attaches great importance to Health, Safety and Environmental aspects. The Company is expanding and managing its business operations in a safe and environmentally sustainable manner. The environment and safety features have been integrated into design, construction and O&M operations to have utmost safety for the facilities, local community and the environment. Further, Disaster Management plan is reviewed and updated regularly.

The Company is ensuring effectiveness of HSE Management systems through regular audit and review.

FIXED DEPOSITS

During the year the company has not accepted any Fixed Deposits from the public.

DIRECTORS

During the year, Shri Darius Pandole and Shri Jayant Parimal, IAS ceased to be the Directors of the Company. Your Directors wish to place on record appreciation of the services rendered by Shri Darius Pandole and Shri Jayant Parimal, IAS as Directors of the Company.

Shri Luis Miranda, Shri U Sundararajan, Shri N J Jhaveri, Shri Suresh Mathur and Shri Hasmukh Adhia, IAS were appointed as Additional Directors to hold office till the ensuing Annual General Meeting.

Pursuant to the provisions of section 256 of the Companies Act, 1956 Shri P K Pujari, IAS shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

A brief resume of the Directors retiring by rotation/seeking appointment at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold Directorship and Membership/Chairmanship of committees of the Board, are given in the Corporate Governance report forming part of the Directors' Report.

STATUTORY & CAG AUDIT

Your Company being a Government Company, the Statutory Auditors are appointed by the Comptroller & Auditor General of India (CAG). Accordingly, CAG has appointed M/s T. N. Shah & Co, Chartered Accountants, Gandhinagar as Statutory Auditors of the Company for the Financial Year 2005-06.

CAG office has given NIL comment report for the Financial Year 2005-06.

Review of accounts of the Company for the Financial Year ended 31st March, 2006 carried out by the office of CAG is annexed and forms part of Directors' Report.

AUDIT COMMITTEE

Audit Committee of Directors of the Company at its meeting held on 21st June, 2006 approved the Annual Accounts for the financial year ended on 31st March, 2006 and recommended the same for approval of the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that,

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) accounting policies are selected and applied consistently and judgments and estimates 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 financial year and of profit of the company for that period.
- (iii) 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 is taken.
- (iv) the annual accounts are prepared on a going concern basis.

MANAGEMENT DISCUSSION & ANALYSIS

This Annual Report contains a separate section on the Management Discussion and Analysis (Annexure-I) which forms part of the Directors' Report.

CORPORATE GOVERNANCE

The Company believes that good governance is voluntary and self disciplining with the strongest impetus coming from the Directors and the Management themselves and that good Corporate Governance alone will take the Company to achieve its ultimate goal of maximizing value to all its stakeholders.

The company has always been proactive in adopting good Corporate Governance practices. The Board of Directors recognizes its accountability to all the stakeholders of the company.

A Report on Corporate Governance as required under clause 49 of the listing agreement is incorporated as a part of the Directors' Report (Annexure - II). A compliance certificate by the practicing company secretary is also attached to the Directors' Report.

GSPL EMPLOYEES STOCK OPTION PLAN ("ESOP"):

The company instituted ESOP Scheme in October 2005 to provide an incentive to attract, retain and reward the employees and enable them to participate in future growth and financial success of the Company. Each such option shall confer a right upon the Employee to apply for one Equity Share of the Company.

Statutory disclosures regarding ESOP scheme are enclosed as Annexure-III to the Directors' Report.

PARTICULARS OF EMPLOYEES

During the period under review, none of the employees were drawing remuneration, which require disclosure under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.





CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy

During the period under review, there is no consumption of energy requiring disclosure.

Technology Absorption

The Company has not imported any technology. However, the Company has engaged consultants/advisors of international repute to make available latest technology for Project implementation.

Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings - Rs. NIL

Foreign Exchange Outgo - Rs. 4.91 crore

ACKNOWLEDGMENTS

The Directors convey their sincere appreciation of the valuable services rendered by employees at all levels, without whose contribution the excellent performance of the Company would not have been possible.

The Directors take this opportunity to convey appreciation for confidence, support and co-operation of the valued customers and look forward to this mutually supportive relationship in future.

The Directors are extremely grateful for all the support given by the Government of Gujarat at all levels. Their guidance, encouragement and moral support enabled the Company to expand the Pipeline Grid Network in a professional manner. We take this opportunity to convey our sincere appreciation for the support given by the Ministry of Environment & Forest, Foreign Investment Promotion Board, SEBI, BSE and NSE.

The Directors place on record their sincere thanks to the investors for their valuable support, trust and confidence in the Company and overwhelming response to the IPO of the Company.

For and on behalf of Board of Directors
Balwant Singh, IAS
Chairman

Date : 22nd August, 2006

Place : Gandhinagar



ANNEXURE – I

Management Discussion and Analysis forming part of the Directors' Report for the year ended on 31st March, 2006**A. Industry structure and developments :**

The importance of natural gas, as a fuel and a feedstock has increased significantly over the past two decades. Natural gas is used in a variety of applications, such as feedstock in fertilizer and petrochemical industry and as fuel in the power generation, manufacturing of steel, textile, ceramic, glass and other industrial products Natural Gas is the fuel of the future.

Gas Scenario

According to EIA International Energy Outlook, the world consumption of natural gas is expected to increase at an average annual rate of 2.3% during the period 2002 to 2025 and India's natural gas consumption is projected to grow at an average annual rate of 5.1% from 25.2 billion cubic meters in 2002 to 78.4 billion cubic meters in 2025.

Indian industry used to get only domestic gas supply till 2004. However, with gas supplies falling well short of the demand, several new supply sources have emerged. The commissioning of PLL's (Petronet LNG) Terminal at Dahej heralded the entry of LNG in the Indian markets in April 2004.

Major developments in the natural gas sector in India are summarized below:-

- Announcement of major gas discoveries in the Krishna-Godavari basin.
- Petronet LNG has increased import of LNG to 5 million metric tonne per annum.
- Commissioning of LNG Terminal at Hazira.
- Panna Mukta and Tapti (PMT) consortium has been allowed to market gas produced by them directly to customers at market price. Prior to this, PMT gas had to be sold to Government of India's nominee viz., GAIL.
- Spot Cargos of LNG being brought at PLL and Hazira LNG Terminals and acceptance of spot LNG at global prices by the Indian market.

Gujarat, with its large industrial base and growing energy needs, is likely to benefit from these developments.

The demand from the industrial segment is growing very rapidly. According to CRISIL, natural gas demand in the State is expected to increase from 54.1 mmscmd in 2005 to 94.5 mmscmd by 2010. Growth in Natural Gas Demand is attributable to many industries switching over to gas for their fuel and feedstock requirements, expansion of existing projects and setting up of new Industries in Gujarat. This is further being facilitated by the expansion of the gas grid into new markets.

Keeping in view the demand potential for natural gas, the Company has built in additional capacity in its pipeline network to cater to the future demand. The Company will be benefited by transmission of additional volumes due to increased demand and availability on account of increased supply of natural gas in the state.

Regulatory Framework :

The Petroleum and Natural Gas Regulatory Board Act, 2006 (the Act), provides for setting up of a Regulatory Board for regulating refining, processing, storage, transportation, distribution, marketing and sale of petroleum products and natural gas.

The Act inter-alia provides for common carrier principle and open access. The Act has put in place a broad framework for accessing pipelines by various players. The Act also provides for Affiliate Code of Conduct. If an entity is engaged in both marketing of natural gas and laying, building, operating or expanding the pipeline for transportation of natural gas, the Regulator may require such entity to separate the activities of marketing of natural gas and the transportation services.

B. Opportunities and Challenges:

Your Company will strive to take full advantage of the new opportunities arising out of the above developments in the Industry.

The Company owns and operates the second largest natural gas transmission network in India. The Company is the first and only pure natural gas transmission company in India for transmission of natural gas on an "open access" basis, which means that the Company makes gas transmission capacity available to any shipper on nondiscriminatory basis. The unique business model of "Pure Transmission Services and Open Access" adopted by the Company are in line with the spirit of new regulatory regime.





C. Outlook

There is a huge unsatisfied demand for natural gas and the Company believes that the domestic gas/LNG would flow in to meet the unsatisfied demand. The power and fertilizer sectors will drive the growth in demand in the state as well as in the country. The industrial clusters and the domestic distribution networks would also boost the demand for natural gas.

The Company expects that natural gas will continue to be a favoured fuel and feedstock because of economic and environmental advantages over alternative fuels.

D. Segment wise or product wise performance

Being in the service industry, no disclosure is required to be given for classifying segment or product wise performance.

E. Operations and Financial Performance

Total Income has increased from Rs. 205.50 Crores to Rs. 267.93 Crores recording increase of 30% as compared to previous year.

Further, Net Worth of the Company has increased from Rs. 402.60 Crores to Rs.895.18 Crores as compared to previous year. Gross Block of Assets has increased from Rs. 872.73 Crores to Rs. 980.51 Crores and consequently there has been an increase in depreciation from Rs. 65.64 Crores to Rs. 79.06 Crores. The company provides depreciation @8.33% on its pipeline assets

F. Risk Management and Internal Control Systems

The company has designed a risk management system for identifying the risks in consultation with M/s KPMG. The Board of Directors of the Company has adopted a Risk Management Policy, reviewed the Risk Register and put in place a framework for reviewing the major risks on regular basis.

Main objectives of the Risk Management Policy include :

- to identify and manage existing and new risks in a planned and coordinated manner with the minimum disruption and cost.
- to develop a “risk culture” that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions.

There are adequate internal systems, controls and checks in place commensurate with the size of the company and nature of its business. The Company has appointed M/s KPMG as Internal Auditors who conduct internal audit for various activities. The reports of Internal Auditors are submitted to the Management and Audit Committee of Directors which further review the adequacy of internal control system.

G. Human Resources

During the year, the Company did not experience any strikes or lockouts. The Company employed 86 employees as on 31st March, 2006.

The Company is committed to recruit and sustain the best talent in the industry. The company believes that training and development of employees is of vital importance to capitalize on emerging business opportunities. During the year all its employees were sent for various training programmes and seminars in line with the Annual Training Calendar to enhance employees' skills.

The Company has managed to achieve substantial growth with a lean organization structure.

Forward Looking Statements :

This Annual Report contains forward-looking statements, which may be identified by words like will, believes, plans, expects, intends, estimates or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth and market position are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could differ materially from those projected in any such forward looking statements. The company assumes no responsibility to amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

ANNEXURE-II
CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

We stand committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of various stakeholders. The Company is committed to transparency in all its dealings and places high emphasis on business ethics. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedication to increase long-term share holders value. GSPL is committed to do business in an efficient, responsible, honest and ethical manner. The core values of the Company's governance process include independence, integrity, accountability, transparency, responsibility and fairness.

2. Board of Directors**A. Composition of the Board:-**

The present Board structure of the company maintains an optimum mix of Executive, Non Executive and Independent Directors. At present the company's Board consists of nine Directors. The composition of the Board is in conformity with the listing requirements. The detailed composition of the Board, their category and their directorship in other companies and membership/ chairmanship in the committees of the Board are given below :-

Sl No.	Name of the Director(s)	Position/Category	Number of directorship* as on 31.03.2006 including GSPL	Number of Membership/Chairmanship** in Board Committee as on 31.03.2006 including GSPL	
				Membership	Chairmanship
1	Balwant Singh, IAS	Non Executive Chairman (GSPC ¹ Nominee)	11	5	2
2	H K Dash, IAS	Non Executive Director (GSPC ¹ Nominee)	6	Nil	Nil
3	P K Pujari, IAS	Non Executive Director (GSPC ¹ Nominee)	13	9	1
4	Hasmukh Adhia, IAS (w.e.f.29/03/2006)	Non Executive Director (GSPC ¹ Nominee)	5	2	Nil
5	N J Jhaveri (w.e.f.1/10/2005)	Independent Director	13	5	4
6	U Sundararajan (w.e.f.13/10/2005)	Independent Director	5	3	1
7	Suresh Mathur (w.e.f.2/12/2005)	Independent Director	3	Nil	Nil
8	Luis Miranda (w.e.f.2/12/2005)	Nominee Director(IDF) ²	5	4	1
9	D J Pandian, IAS	Managing Director (GSPC ¹ Nominee)	7	2	Nil

1 Gujarat State Petroleum Corporation Limited

2 Indian Development Fund

* Excluding directorship held in Private Limited Companies, Foreign Companies and section 25 Companies.

** Indicates Membership/Chairmanship in the Audit Committee and Shareholders/Investors Grievance Committee.





B. Board Meetings held during the year 2005-2006:-

During the year 2005-2006 the Board met Six (6) times. Details of these meetings are as follows:-

Sl No.	Date of the Meeting
1.	11th May 2005
2.	23rd June 2005
3.	20th September 2005
4.	13th October 2005
5.	22nd December 2005
6.	9th January 2006

C. Attendance of each director at the board meeting and at last AGM:-

Sl No.	Name of the Director	Board meetings held while holding the office	Board meetings attended	Attendance at AGM held on 29.09.2005
1	Balwant Singh, IAS	6	6	Yes
2	H K Dash, IAS	6	3	No
3	P K Pujari, IAS	6	6	No
4	Hashmukh Adhia, IAS	N.A.	N.A.	N.A
5	N J Jhaveri	3	2	N.A
6	U Sundararajan	2	1	N.A
7	Suresh Mathur	2	2	N.A
8	Luis Miranda	2	1	N.A
9	D J Pandian, IAS	6	6	Yes

D. Information on Directors seeking Appointment/Reappointment at the ensuing Annual General Meeting :-

Brief resume of Directors being appointed/reappointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold directorship (excluding Private Limited Companies and Section 25 Companies) are furnished hereunder:-

(i) Mr. Luis Miranda

Mr. Luis Miranda holds a Master of Business Administration degree from the Graduate School of Business, University of Chicago and is a member of the Institute of Chartered Accountants of India. He has experience in dealing with early stage companies and private equity investing. He set up the India Development Fund, one of the largest infrastructure focussed private equity fund in India which is managed by IDFC Private Equity Company Ltd. Presently, he is the President and Chief Executive Officer of IDFC Private Equity. In the past, he has been a general partner at Chrys Capital, a Mauritius-based private equity and venture capital fund. He was also a member of the team that set up HDFC Bank. He has also worked with HSBC Markets and Citibank. He has been a director of the Fixed Income Money Market and Derivatives Association of India and a member of the Executive Committee of the Foreign Exchange Dealers' Association of India. He is also a member of the Executive Council of Indian Venture Capital Association and a trustee of the Akanksha Foundation. He has recently joined the Global Advisory Board of the Emerging Markets Private Equity Association. On the Board, he is a nominee of IDF and has been appointed pursuant to the terms of the IDF Shareholders Agreement.

Mr. Luis Miranda holds directorship in following other companies:

1. GMR Infrastructure Ltd.
2. Gujarat Pipavav Port Ltd.
3. Chalet Hotels Ltd.
4. Vemagiri Power Generation Ltd.

5. GMR Energy Ltd.
6. L&T Infrastructure Development Projects Ltd.

(ii) Mr. Narendra Jhaveri

Mr. Jhaveri holds masters degree in Economics from Gujarat University and the London School of Economics and Political Science. He has corporate experience spanning 40 years. He has taught Economics in private colleges in Ahmedabad. In 1965, he joined the RBI as an economist. In 1974, he joined the erstwhile ICICI Limited as Chief Economist and eventually became the Joint Managing Director. In 1993, he joined I-Sec as Executive Chairman. Presently, he is the Chairman of the IMC Economic Research and Training Foundation.

Mr. N J Jhaveri holds directorship in following other companies:

1. Afcons Infrastructure Ltd.
2. Indian Aluminium Company Ltd.
3. National Securities Depository Ltd.
4. Pidilite Industries Ltd.
5. Star Paper Mills Ltd.
6. Usha Martin Ltd.
7. Voltas Ltd.
8. TAIB Capital Corporation Ltd.
9. Siemens Ltd.
10. SKF India Ltd.
11. Siemens Information Systems Ltd.
12. Hindalco Industries Ltd.

(iii) Mr. U Sundararajan

Mr. Sundararajan is a Cost Accountant from the Institute of Cost and Works Accountants of India. He has corporate experience spanning 37 years. He was director (finance) of Bharat Petroleum Corporation Limited from 1989 to 1994. He was Chairman and Managing Director of Bharat Petroleum Corporation Limited from 1994 to 2002. Presently, he is advising Hindustan Petroleum Corporation Limited and Oil India Limited.

Mr. U Sundararajan holds directorship in following other companies:

1. ONGC Ltd.
2. L & T Ltd.
3. Cochin Shipyard Ltd.
4. Thirumalai Chemicals Ltd.

(iv) Mr. Suresh Mathur

Mr. Mathur is a Chartered Accountant from the Institute of Chartered Accountants of India. He has experience spanning 38 years in the oil industry. He has handled varied assignments in the fields of finance, marketing, operations, strategic planning, international oil trading and execution of projects. He was the Managing Director of Petronet LNG Limited from 1998 until 2005. He was also Director (Finance) of Indian Oil Corporation from 1994 until 1998. Since September 2005,

Mr. Mathur is an advisor to the Essar group.

Mr. Suresh Mathur holds directorship in following other companies:





1. Gujarat State Petroleum Corporation Ltd.
2. Essar Oil Ltd.

(v) Mr. Hasmukh Adhia

Mr. Hasmukh Adhia, holds Masters Degree in Commerce and MBA from IIM, Bangalore (Awarded Gold Medal for academic excellence). A 1981 batch Indian Administrative Service officer having administrative and corporate experience spanning over 23 years. Currently holds the post of Principal Secretary to Chief Minister of Gujarat. Previously held the positions like CMD, GIDC, Industries Commissioner, Gujarat Government, MD, GIIC, Secretary, (EA), Govt. of Gujarat, Director, Department of Industrial Policy & Promotion, MoI, Govt. of India, etc.

Mr. Hasmukh Adhia holds directorship in following other companies:

1. Gujarat State Financial Services Ltd.
2. Sardar Sarovar Narmada Nigam Ltd.
3. Gujarat Gas Company Ltd.
4. Gujarat State Petroleum Corporation Ltd.
5. Petronet LNG Ltd.

(vi) Mr. P K Pujari

Mr. Pujari holds a Master of Arts degree in Economics from Delhi University and a Master of Science in Macro Economic Policy and Planning from Bradford University, UK. He is an IAS officer and has administrative and corporate experience spanning 24 years. He is currently the Managing Director of Gujarat Industries Development Corporation (GIDC). He was also appointed Managing Director of Civil Supply Corporation Limited. He has held important positions in the Finance Department, Sales Tax Department, GoG and the Department of Power, GoI.

Mr. P K Pujari holds directorship in following other companies:

1. Gujarat State Petroleum Corporation Ltd.
2. Gujarat State Energy Generation Ltd.
3. Gujarat State Financial Services Ltd.
4. GSFC Capital and Services Ltd.
5. Gujarat Toll Road Investment Co. Ltd.
6. Gujarat State Investments Ltd.
7. Gujarat Narmada Valley Fertilizers Co. Ltd.
8. Birla VXL Ltd.
9. Gujarat Urja Vikas Nigam Ltd.
10. Gujarat Informatics Ltd.
11. Creative Infocity Ltd.
12. Gujarat Port Infrastructure and Development Company Ltd.

Except Mr. U Sundararajan who holds 250 shares, no other director of the company holds any share in the company.

3. Audit Committee

The composition of the Audit committee is as follows:-

1. Mr. N J Jhaveri - Chairman
2. Mr. U Sundararajan - Member

3. Mr. P K Pujari - Member
4. Mr. Suresh Mathur - Member

Note:

1. Mr. U Sundararajan chaired the Audit Committee Meeting held on 21st June, 2006.
2. Mr. Suresh Mathur was inducted as a member of the Audit Committee w.e.f 22nd May 2006.

All the members of the audit committee are Non Executive Directors and majority are independent directors.

The powers of the Audit Committee as conferred by the Board of Directors are:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the Audit Committee includes the overview of the company's financial reporting process and related disclosures to ensure that the financials are correct, sufficient and credible. The committee will also undertake the review, with our management, of our annual and quarterly financial statements before submission to the Board for approval. The committee shall also review the adequacy of our internal control systems, internal audit functions and discuss any significant findings of the internal auditors. The committee shall also discuss with our statutory auditors prior to their commencement of audit, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. The audit committee shall examine the reasons for substantial defaults in the payments made by us to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors. The committee shall also review the functioning of our whistle blower mechanism as and when introduced by us.

During the year 2005-2006 the audit committee met 2 times. The attendance of the members therein was as follows:-

Sl No.	Name of Member	Meetings held while holding the office	Meetings Attended
1.	Mr. N J Jhaveri	1	1
2.	Mr. U Sundararajan	1	NIL
3.	Mr. P K Pujari	2	2
4.	Mr. Suresh Mathur	N.A.	N.A.

4. Remuneration of Directors

Except sitting-fees paid to the Directors (other than the Managing Director), the Company do not pay any remuneration to the Directors. Further, the sitting fee paid to the Directors who are IAS officers is deposited in government treasury. No Director is entitled to any benefit upon termination of his employment in the Company.

At present company pays Rs. 5,000.00 per meeting as sitting fees to the directors (except Managing Director) for attending Board/Committee Meeting.

During the year 2005-2006 the company has paid Rs. 139000/- aggregate as sitting fees to its Directors.

The company has granted stock options to the Directors @ Rs. 14/- per share under ESOP scheme before the IPO of the company. These options will be vested during the period October 2006 to October, 2009 and can be exercised within a period of 5 years from the date of vesting. While the company has granted the options, the Director may at his sole discretion, decide to accept or reject the said grant. The details of number of shares granted to each director under the ESOP scheme are as follows:





Sl No.	Name of Director	Options granted for
1.	Balwant Singh	23,480 Equity shares
2.	H K Dash	23,480 Equity shares
3.	P K Pujari	29,060 Equity shares
4.	Hasmukh Adhia	20,330 Equity shares
5.	D J Pandian	30,060 Equity shares

As the company is not paying any remuneration to its Executive Directors, no separate remuneration committee has been formed by the Board.

Terms of appointment of Managing Director:-

Mr. D J Pandian, IAS has been appointed as Managing Director of the company w.e.f 23rd July 2004 for a period of five years. Further he does not receive sitting-fee from the company but is paid remuneration by Gujarat State Petroleum Corporation Limited as per the pay structure for secretary level government officials. He will hold his office till further intimation by Gujarat State Petroleum Corporation Limited or for a period of five years from the date of his appointment, whichever is earlier.

5. Shareholders/Investors' Grievance Committee

The composition of the Shareholders/Investors Grievances Committee is as follows:

1. Mr. U Sundararajan, Chairman
2. Mr. D J Pandian, Member
3. Mr. Hasamukh Adhia, Member

The status of shareholders complaint as on 31st March 2006 is as follows:-

Particulars	Opening as on 01.04.2005	Recd during the year	Disposed during the year	Balance as on 31.03.2006
No of complaints	Nil	6485*	5956	529**

* The Complaints received were mainly in the nature of non receipt of allotment of shares, non receipt of electronic credit and non receipt of refund order in the Initial Public Offer of the Company

** As on 21st June, 2006, 67 complaints are pending.

Mr. Sandeep Dave, Company Secretary acts as Compliance Officer of the company.

6. General Body Meetings

A. Schedule of the last three Annual General Meetings of the company is presented below:

Sl No.	Repective Year	Date of AGM & Time	Venue
1.	2004-2005	29 September 2005 5.30 P.M.	2nd floor, GSPC Bhavan, Behind Udyog Bhavan, Gandhinagar.
2.	2003-2004	31 December 2004 12.00 Noon	2nd floor, GSPC Bhavan, Behind Udyog Bhavan, Gandhinagar.
3.	2002-2003	31 December 2003 4.00 P.M.	Block No. 15,Udyog Bhavan, Sector -11, Gandhinagar.

B. The following special resolutions were passed by the members at the last 3 Annual General Meetings:

Annual General Meeting held on 29th September 2005

A special resolution in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act 1956 was passed to offer/issue/allot equity shares of the face value of Rs. 10/- each at a price to be determined by the book building process in terms of SEBI(DIP) Guidelines, 2000 as amended from time to time. Further for giving effect to the said resolution necessary powers were also given to the board to do all such acts, deeds, matters and things as it may in absolute discretion deem necessary and required. Annual General Meeting held on 31st December 2004

A special resolution u/s 81(1A), partially modifying the resolution passed at the Extra Ordinary General Meeting held on 31st March 2004, was passed to offer issue and allot equity shares to Gujarat Maritime Board, Gujarat Industrial Development Corporation and Gujarat Narmada Valley Fertilizers Company Ltd. Further for giving effect to the said resolution necessary powers were also given to the Board to do all such acts, deeds, matters and things as it may in absolute discretion deem necessary and required.

Annual General Meeting held on 31st December 2003

No special resolution was passed in this meeting.

C. Postal Ballot:

During the last year no special resolution was passed through postal ballot and no special resolution is proposed to be conducted by postal ballot at the ensuing Annual General Meeting .

7. Disclosures

There are transactions with related parties which have been disclosed at the relevant place in the notes to the Annual Accounts.

There is no non compliance on any capital market related matter since the listing of company's security on stock exchanges. Further no penalty has been imposed either by SEBI or Stock Exchanges or any statutory authority on any capital market related matter.

The company has complied with all the mandatory requirements as prescribed in the listing agreement of the stock exchanges. Further the requisite certification from the Managing Director and Senior Manager(Finance) required to be given under Clause 49(V) has been placed before the Board of Directors of the Company.

8. Means of communication

The Financial Results of the company are normally published in one national news paper (English) and one regional news paper. These results can also be viewed from the company's website www.gujaratpetro.com. Further, the company has also applied for registration under EDIFAR and as and when we are registered under the same the Financial Results and other required filings of the company can also be viewed on the website of SEBI.

9. Code of Conduct

The Board of Directors of the company has adopted a code of conduct and made it applicable to the Board members and senior management of the company. The same has also been posted on the website of the company.

The Board and Senior Management of the company have affirmed compliance with the code.

10. General Shareholders Information

A. Schedule & Venue of the 8th Annual General Meeting of the company:-

Date & Day : Thursday, the 28th September, 2006.

Time : 3.00 p.m.

Venue : Town Hall, Sector-17, Nr. Gh-4 Circle, Opp. Udyog Bhavan, Gandhinagar – 382 017.





B. Financial Year and Calendar:-

The financial year of the company starts on April 1 and ends on 31 March every year. The Board meetings of the company for the financial year 2006-07 are scheduled to be held as follows :-

Financial Calendar for 2006-2007 (Tentative Schedule)

Quarter ending June 30, 2006	End of July, 2006
Quarter ending September 30, 2006	End of October, 2006
Quarter ending December 31, 2006	End of January, 2007
Quarter ending March 31, 2007	End of April, 2007

C. Book Closure Date:-

Tuesday, September 19, 2006 to Thursday, September 28, 2006 (both days inclusive)

D. Dividend Payment:-

The dividend if approved by the shareholders will be paid on or after 28th September, 2006 but within the statutory time limit of 30 days.

E. Listing on Stock Exchanges and Scrip Codes:-

Name of Stock Exchange	Scrip Code
1. Bombay Stock Exchange Limited (BSE)	532702
2. National Stock Exchange of India Limited (NSE)	GSPL

The company has also entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Securities Depository Limited (CDSL). The ISIN no. of the company's securities is INE246F01010.

Note: 1. The necessary listing fees for the year 2006-2007 has already been paid to both the stock exchanges.

F. Stock Market Data:-

Market Price Data in BSE and NSE is as follows:-

Month	BSE Sensex		Company's Share price on BSE		NSE Nifty		Company's Share price on NSE	
	High	Low	High	Low	High	Low	High	Low
2006								
February	10370.24	9742.58	47.25	34.80	6132.40	5758.80	50.00	34.90
March	11307.04	10508.85	39.65	34.90	6437.40	5938.55	40.50	34.90

Note : 1. The securities of the company got listed on stock exchanges on 16.02.2006.

G. Registrar and Transfer Agent and Share Transfer system:-

Karvy Computershare Private Limited is the share transfer agent of the company for both physical as well as Demat mode. The details about our share transfer agent are as follows:-

M/s Karvy Computershare Private Limited

"KARVY HOUSE"

46, Avenue 4, Street No. 1, Banjara Hills,
Hyderabad-500 034. Andhra Pradesh, India.

Tel: +91-40-23312454/23320751/752/753

Fax: +91-40-23311968/23323049

Email: mailmanager@karvy.com

Web site: www.karvycomputershare.com

Contact person: Mr. Mahender Reddy

Investors, for their queries, may contact at the abovementioned address.

H. Distribution of Shareholding:-

Distribution of shareholding as on 31st march 2006 is given below:

Category	No. of shareholders	% of shareholders	No of shares held	% of shareholding
1-5000	253796	93.75	63686549	11.7450
5001-10000	9952	3.68	8121382	1.4977
10001-20000	3867	1.43	5746304	1.0597
20001-30000	1058	0.39	2665878	0.4916
30001-40000	406	0.15	1439871	0.2655
40001-50000	443	0.16	2096700	0.3866
50001-100000	612	0.23	4388907	0.8093
100001 & above	593	0.22	454097679	83.7442
Total	270727	100.00	542243270	100.00

I. Dematerialization of shares and its liquidity:-

26,00,00,000 equity shares representing 48% of the total equity shares of the company are held in Dematerialized Form and balance 28,22,43,270 representing 52% are in Physical Form.

J. Plant Locations:-

The company is developing pipeline infrastructure for transportation of gas. The company has commissioned pipeline projects covering various locations in the State of Gujarat. The required details of these locations are specified in directors report which forms part of this annual report.

K. Address for correspondence with the company:-

The address for correspondence with the company is given below:-

Gujarat State Petronet Limited,
GSPC Bhavan, 3rd floor (south wing),
Sector-11, Gandhinagar-382 011.
Ph.: +91-79-66701001
Fax:+91-79-23236477
Web-site: www.gujaratpetro.com
Email: sandeep@gujaratpetro.com

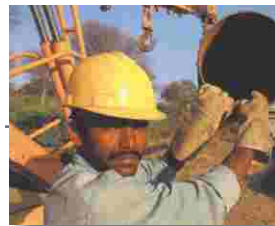
L. Outstanding GDR's/ADR's/Warrants or any Convertible Instruments, conversions date and likely impact on equity:-

The company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

For and on behalf of the Board
Balwant Singh, IAS
Chairman

Date : 21st June, 2006
Place : Gandhinagar





CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To
The Members
GUJARAT STATE PETRONET LIMITED.
GSPC Bhavan, Sector - 11,
Gandhinagar - 382 011

We have examined all relevant records of Gujarat State Petronet Limited for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange for the financial year ended 31st March 2006. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, We certify that the Company i.e. Gujarat State Petronet Limited has complied with all the mandatory conditions of the said Clause 49 of the Listing Agreement.

For **MEHTA HURKAT & ASSOCIATES**

Company Secretaries

MANOJ R. HURKAT

Partner

Membership No.: FCS 4287

Certificate of Practice No.: CP-2574

Date : 21st June, 2006

Place : Ahmedabad





ANNEXURE-III

Statutory Disclosure regarding GSPL Employee Stock Option plan 2005

Description	ESOP 2005 - Part I	ESOP 2005 - Part II
A. Options granted during the year	7,64,000 [of which 2,95,000 options granted to Employees of the Company and 4,69,000 options granted to Employees of Gujarat State Petroleum Corporation Limited (Holding Company)]	1,563,940 [of which 5,93,640 options granted to Employees of the Company and 9,70,300 options granted to Employees of Gujarat State Petroleum Corporation Limited (Holding Company)]
B. Exercise Price (please see note 1 below)	Rs. 14/-	Rs. 14/-
C. Total Option vested	Nil	Nil
D. Total Options exercised	Nil	Nil
E. Total Option lapsed as on March 31, 2006	Nil	Nil
F. Money realized by exercise of Options	Nil	Nil
G. Total number of options in force as on March 31, 2006	7,64,000	1,563,940
H. Variation in terms of Options	Nil	Nil
I. Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option	Rs. 1.18 per Equity Share	Rs. 1.18 per Equity Share
J. Person-wise details of options granted to: i. Existing Directors and Key Managerial employees (please see note 2 below for details of options granted to directors and key managerial employees) ii. Any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year iii. Identified employees who are granted options, 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	2,92,720 Nil Nil	
K. Vesting Schedule	Year of vesting (from the date of grant) No. of Options 1st year -7,64,000	Year of vesting (from the date of grant) No. of Options 1st year - 3,90,985 2nd year - 3,90,985 3rd year - 3,90,985 4th year - 3,90,985
L. Lock-in	No lock-in, subject to vesting schedule above	No lock-in, subject to vesting schedule above
M. Method and assumptions for estimation of the fair value of the options	As the ESOPs were granted prior to listing of shares, fair value is based on the valuation report by an independent Chartered Accountant dated 15 September 2005; and certificate from the statutory auditors dated October20,2005.	As the ESOPs were granted prior to listing of shares, fair value is based on the valuation report by an independent Chartered Accountant dated 15 September 2005; and certificate from the statutory auditors dated October 20, 2005.
N. Price of the underlying share in the market at the time of grant of option	N.A. (At the time of grant of these options the shares of the company were not listed)	N.A. (At the time of grant of these options the shares of the company were not listed)

Note 1: The exercise price is based on the valuation report of an independent Chartered Accountant. The said valuation report indicated value of Rs.12.50 per equity share. However the Board of Directors of the company decided to keep the price slightly higher than that price and finalized it at Rs. 14.00 per equity share. Further, the ESOP scheme was approved by the Board at its meeting held on 13th October 2005, prior to listing of shares of the Company.

Note 2:

Name of Director or Key Managerial Personnel	Number of Equity shares of Rs.10 each issuable upon exercise of options
Directors:	
Mr. Balwant Singh, IAS	23,480
Mr. HK Dash, IAs	23,480
Mr. PK Pujari, IAs	29,060
Mr. Has Mukh Adhia, IAS	20,330
Mr. DJ Pandian, IAS	30,060
Key managerial personnel:	
Mr. Vinay Kumar	24,630
Mr. Ravindra Agrawal	22,410
Mr. Manish Seth	17,640
Mr. N Bose Babu	17,640
Mr. Sandeep Dave	17,500
Mr. Pramod Yenge	17,500
Mr. Sanjay Sengupta	17,500
Mr. Minesh Gajiwala	15,940
Mr. Rajesh Suhane	15,550





**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
GUJARAT STATE PETRONET LIMITED, GANDHINAGAR FOR
THE YEAR ENDED 31ST MARCH 2006**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Gujarat State Petronet Limited, Gandhinagar for the year ended 31st March 2006.

Place : Ahmedabad
Date : 22/08/2006

(Nand Lal)
Pr. Accountant General



Review of accounts of Gujarat State Petronet Limited for the year ended 31st March 2006 by the Comptroller and Auditor General of India.

Financial Position

The table below summaries the financial position of the Company for the last three years upto 31st March 2006.

(Rupees in Lakh)

Particulars	2003-2004	2004-2005	2005-2006
Liabilities			
A Paid up Capital	21015.53	34995.53	54224.33
B Share Application Money	3500.00	536.00	-
C Reserves & Surplus	1409.92	4836.40	36525.69
D Borrowings	42987.83	44360.28	57862.50
E Trade Dues & Current Liabilities & Provisions	1898.23	5706.50	17707.61
Deferred Tax Liability	3977.10	7185.94	7840.75
Total	74788.61	97620.65	174160.88
Assets			
A Gross Block	47511.09	87272.70	98050.69
B Less Depreciation	7633.65	14168.99	22051.94
C Net Fixed Assets	39877.44	73103.71	75998.76
D Capital Work in Progress (CWIP)	27161.96	10814.74	60506.67
E Investments	-	-	-
F Current Assets, Loans & Advances & Mics.	4388.66	8340.03	33666.42
G Deferred Tax Assets	3230.96	5253.87	2757.30
Misc. Expenses P & L A/c.	129.60	108.29	1231.73
Total	74788.62	97620.64	174160.88
Capital Employed	69529.82	86551.98	152464.24
Net Worth	22295.85	39723.64	89518.29

Note:

Capital employed represents net fixed assets including CWIP plus working capital.

Net worth represents paid-up capital plus reserves & surplus less miscellaneous expenditure and losses.

Capital Structure:

The debt equity ratio was 1.23:1 for the year 2003-04, 1.27:1 for the year 2004-05 and 1.07:1 for the year 2005-06.

Reserves & Surplus:

The Reserves and Surplus at the end of 2005-06 was 36525.69 lakh as against Rs. 4836.40 lakh at the end of 2004-05 and Rs. 1409.92 at the end of 2003-04.

Working results

(Rupees in Lakh)

Particulars	2003-04	2004-05	2005-06
Income	14208.80	20550.07	26793.44
Expenditure	12532.79	17615.78	18958.47
Profit (loss) for the year	1676.01	2934.29	7834.97
Prior Period Adjustments	99.34	3.64	5.82
Profit Before Tax	1775.35	2937.93	7840.79
Provision for Tax	14.80	147.45	394.61
Deferred Tax	1583.20	1185.93	3151.37
Profit (loss)	177.35	1604.55	4667.83

Pr. Accountant General





AUDITORS' REPORT

To
The Members of Gujarat State Petronet Limited
Gandhinagar

We have audited the attached Balance Sheet of Gujarat State Petronet Limited as at 31st March, 2006 and also the Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. 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.

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 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.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order, to the extent applicable to the Company.

Further to our comments in the Annexure referred to in paragraph above, we report that:

- a. We have obtained all 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 accounts, as required by law have been kept by the Company so far as it appears from our examination of the books;
- c. The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by the report are in agreement with the Books of Accounts.
- d. In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- e. On the basis of the written representations received from the company, we report that none of the directors are disqualified as at March 31, 2006 from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies and the notes forming part of accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view,
 - I] In case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006 and
 - II] In case of Profit & Loss Account, of the Profit for the year ended on that date.
 - III] In case of Cash Flow Statement, of the cash flow for the year ended on that date

For M/s T. N. Shah & Company
Chartered Accountants

T. N. Shah
Partner

Place: Gandhinagar
Date : 22nd June, 2006

ANNEXURE REFERRED TO PARAGRAPH 3 OF THE AUDITORS' REPORT

1. a. The Company has maintained proper record showing full particulars, including quantitative details and situation of fixed assets.
- b. We are informed that during the year fixed assets were physically verified by the management and no material discrepancies were noticed between the book records and physical existence of assets.
- c. No substantial part of fixed assets have been disposed off during the year.
2. There was no stock of finished goods and raw materials, hence the points relating to physical verification, procedure of physical verification discrepancies noticed on such verification and valuation thereof do not arise. Further, we are informed that the stock of stores, spare parts etc. were physically verified by the management and that no material discrepancies were noticed.
3. The company has neither granted nor taken any loans from companies, firms or other parities listed in the register maintained under section 301 of the Companies Act 1956 or to a Company under the same management.
4. In our opinion the Company has an adequate Internal Control System commensurate with the size of the Company and nature of its business with regard to purchases of equipment, plant & machinery, and other assets.
5. There are no transactions that need to be entered into register in pursuance of section 301 of the act.
6. The company has not accepted deposits from public.
7. The company has appointed an Internal Auditor. On the basis of the reports made by the internal auditors to management the internal audit system, in our opinion, is commensurate with the size and nature of the business of the company except verification of inventory.
8. As informed to us the maintenance of cost records has not been prescribed by the Central Government to the company pursuant to Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
9. According to the information and explanation given to us, there are no undisputed dues payable in respect of Provident Fund, Investor Education & Protection Fund, Employees State Insurance, Excise Duty, Cess which are outstanding as at 31/3/2006 for a period of more than six months from the date they became payable.
10. The company has been registered for a period for more than five years and it has no accumulated losses. Therefore, the requirement of clause (x) of paragraph 4 of the Order is not applicable to the Company.
11. The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
12. The company has not granted any Loans & Advances on the basis of security by way of pledge of other securities, and in our opinion, adequate documents and records are maintained.
13. The company is not a Chit Fund, Nidhi or Mutual benefit society. Hence, the requirement of clause (x) of paragraph 4 of the order is not applicable to the Company.
14. According to the information and explanation given to us, the company is not dealing in shares, securities, debentures and other investments.
15. The company has not given any guarantee for loans taken by the others from banks or financial institutions.
16. The term loans obtained were applied for the purpose for which the loans were obtained.
17. No funds raised for long-term requirements have been used for short-term investment and vice-versa.
18. During the year, 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.
19. Proper securities have been created in respect of debenture/bond issues.
20. We have verified the end use of money raised by Public Issue and the same has been disclosed in Note no. 3 of the Notes to Accounts forming part of the financial statements.
21. According to the information and explanation given to us, a fraud on or by the company has not been noticed or reported during the last six months.

For T. N. Shah & Company
Chartered Accountants
(T. N. Shah)
Partner

Place : Gandhinagar
Date : 22nd June, 2006





BALANCE SHEET AS AT 31ST MARCH, 2006

Particulars	Schedule	Rs.	31st March 2006 Rs.	31st March 2005 Rs.
I SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A		5,422,432,700	3,499,552,700
Share Application money			-	53,600,000
Reserves & Surplus	B		3,652,568,936	483,639,560
Secured Loans	C		5,701,532,698	4,258,759,780
Unsecured Loans	E		84,717,367	177,267,734
Deferred Tax Liability			784,075,063	718,594,131
TOTAL			15,645,326,764	9,191,413,905
II APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	D	9,805,069,381		8,727,269,733
Less :Depreciation		<u>2,205,193,780</u>		1,416,898,845
Net Block			7,599,875,601	7,310,370,888
Capital work - in-progress	F		6,050,667,224	1,081,474,159
Investments			-	-
Deferred Tax Asset			275,730,131	525,386,610
Current Assets, Loans and Advances				
Sundry Debtors	G	137,013,748		106,916,436
Stores & Spare Parts		361,519,323		116,069,804
Cash & Bank Balance	H	2,372,035,793		426,116,895
Other Current Assets	I	149,325,316		84,239,624
Loans & Advances	J	346,747,747		100,660,600
		<u>3,366,641,927</u>		834,003,359
Less : Current Liabilities & Provisions	K	1,554,241,691		471,657,105
		<u>216,519,221</u>		98,992,429
		1,770,760,912		570,649,534
Net Current Assets			1,595,881,015	263,353,825
Miscellaneous Expenditure	L		123,172,793	10,828,423
(To the extent not written off or adjusted)				
TOTAL			15,645,326,764	9,191,413,905
Significant Accounting Policies and Notes on Accounts	P			

As per our report of even date attached

D. J. Pandian, IAS
Managing Director

Balwant Singh, IAS
Chairman

For T. N. Shah & Co.
Chartered Accountants

Sandeep Dave
Company Secretary

Manish Seth
Senior Manager (Finance)

T. N. Shah
Partner

Place : Gandhinagar
Date : 21st June, 2006

Place : Gandhinagar
Date : 22nd June, 2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2006

Particulars	Schedule	2005-2006 Rs.	2004-2005 Rs.
I INCOME :			
Income From Transportation of Gas		2,634,668,970	2,034,876,218
Interest income		40,454,911	18,238,655
Other Income		4,220,575	1,892,079
TOTAL		2,679,344,456	2,055,006,952
II EXPENDITURE			
Employee Cost	M	27,376,465	25,909,759
Gas transportation Charges		192,261,693	453,693,254
Connectivity Charges		221,517,569	113,364,142
Administrative, O&M & Other Expenses	N	251,324,085	148,748,638
Interest & Financial Charges	O	412,790,032	363,443,749
Depreciation		790,577,720	656,418,405
TOTAL		1,895,847,564	1,761,577,947
Profit/(Loss) For The Year		783,496,892	293,429,005
Prior Period Adjustments		582,398	363,633
Profit/(Loss) Before Tax		784,079,290	293,792,638
Provision for Tax			
Current Tax (MAT)		39,461,500	14,744,700
MAT Credit Entitlement		(39,461,500)	-
Deferred tax		315,137,411	118,592,925
Fringe Benefit Tax		2,159,275	-
Profit/(Loss) After Tax		466,782,604	160,455,013
Balance Brought Forward		141,909,597	78,762,147
Amount Available For Appropriations		608,692,201	239,217,160
Proposed Dividend		(135,560,818)	(69,991,283)
Tax on dividend		(19,012,410)	(9,816,280)
Transferred To Bond Redemption Reserve		(12,900,000)	(17,500,000)
Balance Transferred To Balance Sheet		441,218,973	141,909,597
Earnings Per Share (Basic and Diluted)		1.19	0.57
Significant Accounting Policies & Notes on Accounts	P		

As per our report of even date attached

D. J. Pandian, IAS
Managing DirectorBalwant Singh, IAS
ChairmanFor T. N. Shah & Co.
Chartered AccountantsSandeep Dave
Company SecretaryManish Seth
Senior Manager (Finance)T. N. Shah
PartnerPlace : Gandhinagar
Date : 21st June, 2006Place : Gandhinagar
Date : 22nd June, 2006



SCHEDULES ANNEXED FORMING PART OF THE ACCOUNTS

SCHEDULE - A

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
SHARE CAPITAL		
AUTHORISED SHARE CAPITAL		
70,00,00,000 Equity Shares of Rs. 10 each	<u>7,000,000,000</u>	<u>3,500,000,000</u>
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
54,22,43,270 Equity Shares of Rs. 10/- each fully paid up (Previous Year 34,99,55,270 Equity Shares of Rs. 10/- each)	<u>5,422,432,700</u>	<u>3,499,552,700</u>
21,23,05,270 (Previous year 20,83,05,270) Equity Shares of Rs. 10/- each are held by the holding Company Gujarat State Petroleum Corporation Ltd.)		
TOTAL	<u><u>5,422,432,700</u></u>	<u><u>3,499,552,700</u></u>

SCHEDULE - B

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
Reserves & Surplus		
A) Profit & Loss Account		
Opening Balance	<u>141,909,597</u>	<u>78,762,147</u>
Addition During The Year	<u>299,309,376</u>	<u>63,147,450</u>
	<u>441,218,973</u>	<u>141,909,597</u>
B) General Reserve		
Opening Balance	<u>27,229,963</u>	<u>27,229,963</u>
Addition During The Year	<u>-</u>	<u>-</u>
	<u>27,229,963</u>	<u>27,229,963</u>
C) Share Premium		
Opening Balance	<u>262,000,000</u>	<u>-</u>
Addition During The Year	<u>2,856,720,000</u>	<u>262,000,000</u>
	<u>3,118,720,000</u>	<u>262,000,000</u>
D) Bond Redemption Reserve		
Opening Balance	<u>52,500,000</u>	<u>35,000,000</u>
Addition During The Year	<u>12,900,000</u>	<u>17,500,000</u>
	<u>65,400,000</u>	<u>52,500,000</u>
TOTAL (A+B+C+D)	<u><u>3,652,568,936</u></u>	<u><u>483,639,560</u></u>

SCHEDULE - C

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
SECURED LOANS(secured by First Pari Passu charge on fixed assets except 36" pipe line from Hazira to Mora)		
1) Secured Bonds (further Secured on Land and Premises at Sajod Village) (654 Bonds of Rupees 1,00,000 each) (For redemption terms refer note no.19)	65,400,000	409,000,000
2) Term Loan From Banks		
Vijaya Bank	127,679,991	173,750,000
Union Bank of India	571,426,996	441,669,275
Bank of Baroda	623,360,705	616,798,001
Bank of India	427,153,116	354,386,030
Dena Bank	576,485,349	655,532,754
Oriental Bank of Commerce	354,568,353	437,665,563
Allahabad Bank	312,355,190	159,998,277
State Bank of Bikaner & Jaipur	202,507,328	189,958,591
State Bank of Travancore	96,429,976	49,999,525
The Karur Vysya Bank Ltd.	95,844,280	80,000,475
The South Indian Bank Ltd.	95,840,003	50,018,968
UCO Bank	402,498,242	150,000,000
Corporation Bank	300,002,830	39,999,933
State Bank of India	539,980,020	79,982,339
UTI Bank Ltd.	210,000,319	20,000,049
Industrial Development Bank of India Ltd.	200,000,000	-
3) Term Loan From Infrastructure Development Finance Co. Ltd.	500,000,000	350,000,000
TOTAL	5,701,532,698	4,258,759,780





SCHEDULE - D

FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	Op. Balance As on 01-Apr-05	Prior Period Adjust- ments*	Additions	Deduction	Cl. Balance As on 31-Mar-06	Op. Balance As on 01-Apr-05	Prior Period Adjust- ments*	Additions	Deduction	Cl. Balance As on 31-Mar-06	As on 31-March 2006	As on 31-March 2005
Land	49853858		43803078		93656936	0	0	0		0	93656936	49853858
Building	248845912	(500000)	59352987		307698899	42958058	(43425)	23396882		66311515	241387384	205887854
Plant & machinery	8169927804	(3858492)	899214282	10283889	9054999705	1302641904	(289088)	733754277	1691196	2034415897	7020583807	6867285900
Communi. Equipments	229654562		88010933		317665495	58310861		29745079		88055940	229609555	171343701
Computers	6966228		741756		7707984	4908385		850712		5759096	1948888	2057843
Furniture & Fittings	6149899		886428		7036327	1943042		843432		2786474	4249852	4206857
Office Equipments	8685802		53000		8738802	2023961		931954		2955915	5782887	6661841
Vehicles	6978537		605791	441360	7142968	3905505		840252	259081	4486676	2656292	3073032
Books	207134		215133		422267	207134		215133		422267	0	0
Total	8727269736	(4358492)	1092883386	10725249	9805069381	1416898848	(332512)	790577720	1950276.6	2205193780	7599875601	7310370887
Previous Year	4751109422	2956086	3986923581	13719356	8727269733	763365839	(1195858)	656418405	1689541	1416898945	7310370888	3987743583

* (This pertains to corrections in prior period for Fixed assets and Depreciation. For details referer note No 11)

SCHEDULE - E

Particulars	31st March 2006	31st March 2005
	Rs.	Rs.
Unsecured Loans		
Fixed deposit From Public	-	5,333,000
Security Deposits From Customers	84,717,367	171,934,734
TOTAL	84,717,367	177,267,734

SCHEDULE - F

Particulars	31st March 2006	31st March 2005
	Rs.	Rs.
CAPITAL WORK IN PROGRESS (including advances)		
Hazira-Mora	-	3,836,127
Baroda - Ahmedabad - Kalol Pipeline	-	70,128,211
Bhadbhut - Paguthan Pipeline	-	2,775,184
Essar Terminal	-	22,206,118
Anand - Rajkot-Morbi Pipeline	1,509,064,849	49,147,998
Anand - Pipavav Pipeline	31,097,484	12,611,380
Mora NTPC	34,502,511	13,681,439
Mora Node	21,234,647	149,642,189
ONGC - PMT Pipeline	142,467,508	-
Mora - Sajod Pipeline	-	8,294,429
Mora - Vapi Pipeline	1,663,199,592	420,848,264
NTPC - Janore Pipeline	5,628,857	5,628,857
Paguthan - Baroda Pipeline	-	3,318,006
GACL - Petronet	-	973,281
Others	119,241,487	46,548,186
Spur line - Gandhinagar	-	185,857,411
Anklav - Dhuvaran	8,881,473	4,693,514
Spur line - Arvind Mills	-	973,658
Software Development	39,772,415	18,662,318
Cairn Interconnector	10,967,696	10,369,702
Kalol - Himmatnagar	437,502,422	5,684,107
Kalol - Mehsana	117,138,798	3,336,394
Advance to Creditors for Capital Expenses	1,909,967,485	42,257,386
TOTAL	6,050,667,224	1,081,474,159





SCHEDULE - G

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
SUNDRY DEBTORS (Unsecured, considered good)		
Sundry Debtors - Outstanding for a period exceeding 6 months	4,639,998	3,149,745
- Others	132,373,750	103,766,691
TOTAL	137,013,748	106,916,436

SCHEDULE - H

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
CASH & BANK BALANCES		
Cash-On-hand	79,117	61,592
Cheques / Demand Drafts-on-Hand	-	598,501
Balance with Banks		
In Current Accounts with Scheduled Banks:	254,296,407	46,472,530
In Fixed Deposits with Scheduled Banks	2,117,660,269	378,984,272
TOTAL	2,372,035,793	426,116,895

SCHEDULE - I

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
OTHER CURRENT ASSETS		
Interest Accrued But not due on Fixed Deposits & Loans	14,331,875	712,353
Refundable deposit for ROU/ROW	80,490,016	59,269,040
Income Accrued But not due	-	236,470
Interest receivable from GEB	-	90,411
Insurance Claim Receivable	10,005	10,005
Other Claims recoverable	714,000	714,000
Gujarat Gas Co. - Payment Under Protest	13,139,756	13,139,756
Other Advance Payments	40,639,664	10,067,589
TOTAL	149,325,316	84,239,624

SCHEDULE - J

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
LOANS & ADVANCES		
(Secured)		
House Building & other Advance to Employees (Unsecured considered good)	878,650	186,663
Advances Recoverable in Cash or Kind	473,684	370,320
Advance Tax & TDS	144,899,946	74,011,196
MAT Credit Entitlement	39,461,500	-
Balance Service Tax & Excise Duty Etc.	157,828,760	-
Prepaid Expenses	3,205,207	26,092,421
TOTAL	346,747,747	100,660,600

SCHEDULE - K

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
CURRENT LIABILITIES & PROVISIONS		
A) Current Liabilities		
Sundry Creditors	1,261,418,786	412,820,090
Earnest Money Deposit	846,551	845,000
Other Statutory Liabilities	68,838,883	24,390,509
Unclaimed Refund Warrants - Share Application	213,512,490	-
Unclaimed Interest Warrants - Fixed Deposit from Public	519,829	849,252
Trusteeship Remuneration Payable	40,891	40,891
Interest Accrued But Not Due on Bonds	4,740,975	29,155,403
Interest Accrue But Not Due on Term Loan From IDFC	1,979,452	1,095,884
Fixed Deposit Repayment Due	961,005	1,834,005
Salary Payable	1,357,829	598,521
Audit Fee payable	25,000	27,550
	1,554,241,691	471,657,105
B) Provisions		
Provision for Income-tax	58,097,629	16,506,780
Proposed Dividend	135,560,818	69,991,283
Provision for Tax on Dividend	19,012,410	9,816,280
Provision for Gratuity	1,129,823	722,923
Provision for Leave Encasement	2,702,537	1,936,043
Provision for Wealth-tax	16,004	19,120
TOTAL (A+B)	216,519,221	98,992,429
	1,770,760,912	570,649,534





SCHEDULE - L

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
MISCELLANEOUS EXPENDITURE		
A) Preliminary Expenditure		
Opening Balance	10,303,595	11,910,686
Addition During the Year	2,394,000	-
Less : Written off During the Year	(1,846,491)	(1,607,091)
	<u>10,851,104</u>	<u>10,303,595</u>
B) IPO Expenditure		
Opening Balance -		
Addition During the Year	140,402,111	-
Less : Written off During the Year	28,080,422	-
	<u>112,321,689</u>	<u>-</u>
C) Deferred Revenue Expenditure		
Opening Balance	524,828	1,049,646
Less : Written off During the Year	(524,828)	(524,818)
	-	524,828
TOTAL (A+B+C)	<u>123,172,793</u>	<u>10,828,423</u>

SCHEDULE - M

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
Employee Cost		
Salaries Wages & allowances	20,872,803	19,111,270
EDLI	58,083	53,543
Gratuity	616,692	355,366
Leave Encashment	841,517	530,092
Super Annuation Scheme	479,075	435,134
Contribution to Provident fund	1,565,535	1,329,075
Group Medclaim & Personal Accident Policy	530,364	430,248
Payments for out sourced Persons	665,754	970,071
Staff Welfare Expenses	305,268	172,500
Training Expenses	837,991	1,070,476
Recruitment Expenses	603,383	1,451,984
Total	<u>27,376,465</u>	<u>25,909,759</u>

SCHEDULE - N

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
Administrative, O&M & Other Expenses		
Administrative Exp.	13,959,935	12,722,845
Audit Fees	25,000	27,550
Advertisement	2,033,587	902,988
Bandwidth & Web Site Maintenance Charges	2,451,749	2,784,800
Business Promotion	3,143,630	2,196,347
Deferred Revenue Exp. W/o	524,828	524,818
IPO. Exp. W/o	28,080,422	-
Donation	80,000	40,000
Legal & Professional Exp.	11,512,153	13,666,509
O & M Expenses of Pipelines & Compressors	139,348,746	77,145,508
Other Expenses	1,067,663	1,395,090
Prel. Exp. W/o	1,846,491	1,607,091
Rent, Rate, Taxes & Licence Fee	4,581,353	81,625
Seminar & Conference	314,049	125,186
Stationery & Printing	1,361,148	834,813
Travelling Exp. - Directors	147,967	41,898
Travelling Exp. - Others	7,243,373	5,143,554
Loss on sale of Assets	-	19,235
Postage, Telephone & Courier	2,899,566	1,993,881
Wealth Tax	16,004	19,120
HSE Exp.	2,056,342	3,058,382
Software Exp.	1,984,204	3,248,950
Insurance Exp.	26,645,875	21,168,448
Total	251,324,085	148,748,638

SCHEDULE - O

Particulars	31st March 2006 Rs.	31st March 2005 Rs.
Interest & Financial Charges		
Interest on Fixed Deposit	180,820	7,606,451
Interest on Bonds	54,178,346	58,471,000
Interest on term Loan from Banks & IDFC	302,254,037	253,919,285
Interest on Other Loans	20,088,931	31,816,606
Interest on Share Application Money	-	2,927,055
Upfront Fee	25,193,718	-
Listing Fee	658,350	-
Other Financial Charges	10,235,831	8,703,352
Total	412,790,032	363,443,749





Schedule - P

I Significant Accounting Policies

a) ACCOUNTING CONVENTION

The Financial Statements have been prepared in accordance with applicable Accounting Standards in India and in accordance with the Historical Cost Convention on accrual basis.

b) USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognized in the period in which they materialize.

c) FIXED ASSETS & CAPITAL WORK IN PROGRESS

- i. The Company is working on various sections of gas transmission pipelines simultaneously and each section is considered to be independent pipeline.
- ii. The Company capitalizes to a project all the costs directly attributable to completing the project. These costs include expenditure incurred on pipelines, plant and machinery, cost of laying of pipeline, cost of reconnaissance survey, detailed engineering, RoUs and RoWs, land and crop compensation, land and building.
- iii. In addition, the Company capitalizes interest on the borrowings for a project. For interest capitalization, the capital cost of a particular project is identified against a borrowing in terms of period of construction and the interest for the relevant period is added to the capital cost till the particular project is capitalized and thereafter the interest is charged to the profit and loss account.
- iv. Wherever applicable, Interest on Mobilization Advance extended by the company to the contractors, is adjusted against the relevant Project cost.
- v. All the expenditure on a project, till it is commissioned, is kept as Capital Work in Progress (CWIP) and after commissioning the same is transferred to Gross Block.
- vi. Capital expenditure, which is not identifiable directly to a particular pipeline section and whose benefit would accrue to the gas grid as a whole is categorized as general gas grid expenditure and allocated at the end of the year to the commissioned pipeline segments in proportion to the length of pipeline segments.

d) DEPRECIATION

- i. Depreciation on gas transmission pipeline(s) is provided on straight-line method considering an average life of twelve years even though the useful life of pipelines is more than 30 years. Depreciation on other fixed assets is provided using written down value method.
- ii. The depreciation rates used are as prescribed under Schedule XIV of the Companies Act. Depreciation on assets is provided on pro rata basis according to the period each asset is put to use during the year.
- iii. Assets costing up to Rs. 5,000/- are depreciated fully in the year of purchase.

e) INVENTORY

The Inventory of project materials and stock of spares is valued at moving average cost in the current year. Up to FY 2004-05, the Inventory is valued at cost. There is no impact on valuation on account of this change.

f) RETIREMENT BENEFITS:

- i. The company has defined contribution plan for Provident Fund and the Company's contribution thereto are charged to the Profit and Loss Account.
- ii. The Company has defined contribution plan for Superannuation Fund.
- iii. The Company has participated in- Group Gratuity scheme of Life Insurance Corporation of India, the contribution is made as per actuarial valuation at the end of the financial year.

g) FOREIGN CURRENCY TRANSACTIONS

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

h) REVENUE RECOGNITION

All Income and Expenses are recognized on accrual basis.

The company invoices customers on fortnightly basis and the revenue is recognized on the last day of each fortnight. Income from transportation of gas is accounted net of service tax. (As per The Finance Act, 2005, Income from transportation through pipeline is covered under service tax with effect from June 16, 2005).

Interest expense and income are recognized on time proportion basis.

Expenditure in the Profit & Loss Account is provided for the period for which the expenditure is incurred. Adequate provisions are made for all known liabilities.

i) AMORTISATION

Preliminary expenses are being written off in 10 equal installments. Deferred Revenue expenses are being written off in 5 equal installments. IPO Expenses are being written off in 5 equal installments.

j) TAXATION

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income tax Act, 1961. Deferred tax resulting from "timing difference" is accounted for using the tax rates and laws that have been enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.

II Notes on Accounts

1. Corresponding figures of the previous period have been regrouped and reclassified wherever considered necessary to compare to this period's figures.
2. Contingent Liability
 - a. Letter of Credit issued and outstanding to the extent of Rs. NIL (Previous year Rs. 4,26,79,706).
 - b. Claims against the company not acknowledged as debt of gas transportation charges is Rs. 4,78,45,827/- (Previous year 3,04,10,995/-) against which the company has paid Rs. 1,31,39,756/- (Previous year 1,31,39,756/-) under protest and has included the amount so paid under other current assets.
 - c. Claims against the company by certain land owners seeking enhancement of compensation in respect of RoU acquired by the company is Rs. 395,12,01,461.
3. The company has raised Rs. 37260 lacs through public issue of shares during the year and utilized Rs. 16260 lacs (including Issue Expenses of Rs. 1404 lacs) till 31.03.06 for projects payments and balance of Rs. 21000 lacs deposited in short term deposits with banks.
4. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 415,93,70,510 (Previous year 340,35,53,689/-).
5. The amount of Capital Work in Progress (CWIP) mainly includes expenses incurred on Mora Vapi, Anand-Rajkot, Kalol Himmatnagar, Kalol Mehsana and other interconnections / spur lines, which are under execution.
6. The Company successfully commissioned the following projects during the year.

Sl. No.	Project	Length, km	Dia, Inch	Date of Commissioning
1	Ambapur Gandhinagar	15.5	12	09-Feb-06
2	Anklav Dhuvaran	30	18	27-Jan-06
3	Mora Node Terminal*	-	-	18-May-05

* Mora Node Terminal is a facility, which enables GSPL to integrate gas streams from multiple sources and having different parameters





The cost of project is arrived at considering purchase value, cost incurred for development of terminal, commissioning & testing charge, interest cost, civil works and expenses directly attributable for putting the facilities to use.

7. The company acquires RoU / RoW (Right of Use / Right of Way) before the actual laying of the pipelines. RoU enables the company to obtain perpetual right to use the land along the pipeline route. The expenses involved in RoU / RoW include Consultancy fee for route survey, reconnaissance survey, Non-refundable deposits paid to various Statutory Authorities, Compensation for Crops etc. falling in the way of pipeline route etc. Although this is a perpetual right, the expenditure is written off along with pipeline assets out of prudence.
8. As the company is not engaged in any business of manufacturing or trading activity the information as required under Part II Clause 4C of schedule VI to the Companies Act, 1956 in respect of Licensed Capacity, Capacity-utilization, Installed Capacity is not applicable.
9. Payment made for Auditors and Managerial Remuneration:

	<u>Current Year</u>	<u>Previous Year</u>
(a) As Auditors	Rs. 25,000/-	Rs. 25,000/-
Other Matters	Rs. 6,62,709/-	NIL
Total	<u>Rs. 6,87,709/-</u>	<u>Rs. 25,000/-</u>
(b) Managerial Remuneration	NIL	NIL

10. The Company has incurred expenditure in foreign currency for Capital Goods Rs. NIL & Professional Services Rs. 4,85,44,167 (Last year corresponding figures being Rs. NIL & Rs. 57,72,030), Spare parts Rs. NIL (Last year Rs. 9,17,543) Training Expenses Rs. 2,98,241 (Last year Rs. 9,92,790) Traveling Rs. 2,25,358 (Last year Rs. 5,02,482) and Subscription for periodicals Rs. NIL (Last year Rs. 12,633).
11. 'Adjustment disclosed in Schedule 'D' (Fixed Assets) are due to excess/ short capitalization during previous years and consequent provision for depreciation.
12. During the year there has been no further development with regard to the 'Other Claims Recoverable' in Schedule 'I'.
13. The balances of sundry debtors, creditors, loans and advances and deposits are subject to the confirmation by the parties and provision for all liabilities is adequate in opinion of the company.
14. No suppliers to the company have claimed classification under SSI status.
15. The reconciliation of IPO refund accounts is in process.
16. Stock Option Plans

(i) ESOP

During the Financial Year 2005-06, the company instituted ESOP-2005. The Board of Directors and the Shareholders approved the plan in the meeting held on 13-Oct-05 and 18-Oct-05 respectively, which provides for the issue of 23,27,940 equity shares to the employees of the company and of Gujarat State Petroleum Corporation Ltd. The Compensation Committee administers ESOP-2005. Number of Options granted, vested and exercised under ESOP Part-1 during the year

	<u>Year ended 2006</u>	<u>Year ended 2005</u>
Options granted	7,64,000	-
Vested	-	-
Exercised	-	-
Number of Options granted, vested and exercised under ESOP Part-2 during the year		
	<u>Year ended 2006</u>	<u>Year ended 2005</u>
Options granted	15,63,940	-
Vested	-	-
Exercised	-	-

17. Segment Reporting

The company primarily operates in a single segment of Natural Gas Business, which involves transportation of natural gas from sources of supply to the end customers. Segment reporting as required under Accounting Standard 17 issued by the Institute of Chartered Accountants of India is not applicable.

18. Related Party Transactions in accordance with Accounting Standard 18:

	<u>Rs.</u>
1 Gujarat State Petroleum Corporation Ltd. (Holding Company)	
- Rent	3,787,020
- Gas Transportation Charges	25,427,110
- Connectivity Charges	221,517,569
2 Gujarat State Energy Generation Ltd. (Associate Company)	
- Gas Transportation Charges	60,276,962
- Interest on Bonds	201,062
- Interest on Security Deposit	4,612,500
3 Guj Info Petro Limited (Associate Company)	
- Bandwidth Charges	2,644,800
- Operation & Maintenance of Systems.	991,800
4 GSPC Gas Company Ltd. (Associate Company)	
- Gas Transportation Charges	3,939

19. Secured Bonds Redemption terms:

Option	Repayment	Put/Call option
I	At par at the end of 7 year	At par at the end of 5th year from date of Allotment *
II	At par at the end of 6th,7th & 8th year in the ratio of 30%, 30% & 40% respectively	None
III	At par at the end of 10th year	At par at the end of 7th year from date of Allotment
IV	At par at the end of 12th year	At par at the end of 10th year from date of Allotment

* During the year, the company has redeemed Bonds worth Rs. 3436 Lacs by exercising call option under Option I.

20. Earning Per share (EPS as per Accounting Standard-20)

	<u>2005-06</u>	<u>2004-05</u>
Net Profit/(Loss) after current and deferred tax	466,782,604	160,455,014
Weighted average number of equity shares of Rs. 10/- each as on 31.03.06	393,729,473	279,965,133
EPS (Rs.) – Basic and Diluted	1.19	0.57

21. The break-up of Deferred Tax Asset and Liability into major components at the year end is as follows:

Particulars	<u>31 March 2006</u>	<u>31 March 2005</u>
Deferred Tax Liability –(A)	784,075,062	718,594,130
Deferred Tax Assets –(B)	275,730,131	525,386,610
Net Deferred Tax Liability (A)-(B)	508,344,931	193,207,520

Increase in the Net Deferred Tax Liability of Rs. 315,137,411 has been charged to P&L Account.





22. Balance Sheet Abstract and Company's General business Profile as per Part IV of Schedule VI of the Companies Act, 1956

I Registration Details	
Registration No.	35188
State Code	04
Balance Sheet Date	31.3.2006
II Capital Raised During The Year	(Amount of Rs.000s)
Public Issue	3726000
Right Issue	-
Bonus Issue	-
Private Placement	1000000
III Position of Mobilisation and Deployment of Funds:	
Total Liabilities	17416088
Total Assets	17416088
Source of Funds	
Paid up Capital	5422433
Reserves and Surplus	3652569
Share Application Money	0
Secured Loans	5701533
Unsecured Loans	84717
Deferred Tax Liability	784075
Application of Funds	
Net Fixed Assets	7599876
Capital Work-in-progress	6050667
Deferred Tax Asset	275730
Net Current Assets	1595881
Miscellaneous Expenditure	123173
IV Performance of the Company	
Total income	2679344
Total Expenditure	1895848
Profit/(Loss) Before Tax	784079
Prior Period Adjustment	582
Profit After Tax	466783
Earnings Per Share (Rs.)	1.19
Dividend Rate (%)	2.50%
V Generic Names of Principal Products/Services of the Company (As per Monetary Terms)	
Item Code No.	N.A.
Product Description	N.A.
Item Code No.	N.A.
Product Description	N.A.

Signatures to the Schedules A to P

D. J. Pandian, IAS
Managing Director

Balwant Singh, IAS
Chairman

For T. N. Shah & Co.
Chartered Accountants

Sandeep Dave
Company Secretary

Manish Seth
Senior Manager (Finance)

T. N. Shah
Partner

Place : Gandhinagar
Date : 21st June, 2006

Place : Gandhinagar
Date : 22nd June, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

Particulars	2005-2006 (Rs.)	2004-2005 (Rs.)
A Cash Flow from Operating Activities		
Profit before Taxes	784,079,290	293,792,638
Adjustments for:		
Depreciation	790,577,720	656,418,405
Amortisation of Miscellaneous Expenditure	30,451,742	2,131,909
	1,605,108,752	952,342,952
Interest & Financial Charges (Net)	412,790,032	363,443,749
Interest income	(40,454,911)	(18,238,655)
	1,977,443,873	1,297,548,046
Operating Profit before Working Capital Changes		
Adjustments for:		
(Increase)/Decrease in Inventory	(245,449,519)	(58,613,956)
(Increase)/Decrease in Sundry Debtors	(30,097,312)	(104,046,944)
(Increase)/Decrease in Loans and Advances	(246,087,147)	(47,280,434)
(Increase)/Decrease in Other Current Assets	(65,085,692)	166,451,559
(Increase)/Decrease in Miscellaneous Expenditure	(142,796,111)	-
Increase/(Decrease) in Trade Payable	1,200,111,378	380,826,431
	2,448,039,471	1,634,884,702
Current / Fringe Benefit Tax	(2,159,275)	(14,744,700)
Net Cash Flow from Operating Activities (A)	2,445,880,196	1,620,140,002
B Cash Flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(6,049,275,502)	(2,344,324,128)
Net Cash Flow from Investing Activities (B)	(6,049,275,502)	(2,344,324,128)
C Cash Flow from Financing Activities		
Increase in Equity Share Capital	1,922,880,000	1,398,000,000
Increase/(Decrease) in Share Premium Account	2,856,720,000	262,000,000
Increase/(Decrease) in Share Application Money	(53,600,000)	(296,400,000)
Increase/(Decrease) in Secured Loans	1,442,772,918	296,751,685
Increase/(Decrease) in Unsecured Loans	(92,550,367)	(159,506,869)
Dividend and tax on dividend	(154,573,228)	(79,807,563)
Interest and Finance Charges (Net)	(412,790,032)	(363,443,749)
Interest Income	40,454,914	18,238,656
Net Cash Flow from Financing Activities (C)	5,549,314,205	1,075,832,160
Net Increase / (Decrease) in Cash and Cash Equivalents (A+ B+ C)	1,945,918,898	351,648,034
Cash and Cash Equivalents at the beginning of the year	426,116,895	74,468,861
Cash and Cash Equivalents at the end of the year	2,372,035,793	426,116,895

As per our report of even date attached

D. J. Pandian, IAS
Managing DirectorBalwant Singh, IAS
ChairmanFor T. N. Shah & Co.
Chartered AccountantsSandeep Dave
Company SecretaryManish Seth
Senior Manager (Finance)T. N. Shah
PartnerPlace : Gandhinagar
Date : 21st June, 2006Place : Gandhinagar
Date : 22nd June, 2006







GUJARAT STATE PETROLEUM CORPORATION LTD.

(A Govt. of Gujarat Undertaking)

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