

GUJARAT NATURAL
RESOURCES LIMITED

19th Annual Report

2009 - 2010

Regd. Office
8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway,
Ahmedabad 380 059.

GUJARAT NATURAL RESOURCES LIMITED

19th ANNUAL REPORT
2009-2010

BOARD OF DIRECTORS

ASHOK C. SHAH
SHALIN A. SHAH
HARIYANT C. SHELAT
PRAVIN P. SHAH
MALAV A. MAHTA
ILESH SHAH
PRAVINBHAI V. TRIVEDI

CHAIRMAN
MANAGING DIRECTOR
DIRECTOR
DIRECTOR UPTO 12/11/2009
DIRECTOR
DIRECTOR
DIRECTOR

AUDITORS

M/s. NAIMISH K. SHAH & CO.
Chartered Accountants.

BANKERS

ICICI Bank Ltd., Ashram Road Branch, Ahmedabad
Union Bank of India, Ashram Road Branch, Ahmedabad
Syndicate Bank, Ashram Road, Ahmedabad.

REGD. OFFICE

8, Sigma Corporate, Nr. Mann Party Plot,
S. G. Highway, Ahmedabad – 59.

REGISTRAR & SHARE TRANSFER AGENTS

PURVA SHAREGISTRY (INDIA) PVT. LTD.
Shiv Shakti Industrial Estates, Unit No. 9
7-B, J. R. Boricha Marg,
Sitaram Mill Compound,
Mumbai 400 011.

GUJARAT NATURAL RESOURCES LIMITED

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of **GUJARAT NATURAL RESOURCES LIMITED** will be held on 30th September, 2010 at 10.00 a.m at 8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway, Ahmedabad – 59 to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March 2010, Profit & Loss Account for the year ended on that date and Director's Report and the Auditor's Report thereon.
2. To appoint a Director in place of Mr. Hariyant C. Shelat, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Shalin A. Shah, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the company to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Shri Pravinbhai V. Trivedi, who was appointed as an additional director of the Company by the Board of directors and who holds office as per section 260 of the Companies Act 1956 up to the date of forthcoming Annual General Meeting and in respect of whom the Company has, pursuant to section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a director of the company, liable to retire by rotation".

By Order of the Board
FOR, Gujarat Natural Resources Limited.

Place : Ahmedabad
Date : 04.09.2010

Ashok C. Shah
[Chairman]

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN ANNUAL GENERAL MEETING.

(IN PURSUANCE OF CLAUSE 49(VI) A OF THE LISTING AGREEMENTS)

NAME OF DIRECTOR	Pravinbhai Trivedi	Shalin A. Shah	Hariyant C Shelat
Age (Yrs.)	64	37	59
Qualifications	Retd. IAS, BSc. L.L.B	B.E.(Civil)	B.Com., L.L.B.
Designation	Director	Managing Director	Director
Chairman/Member of the Committee of the Board of Directors of the Company	Member – Audit Committee Chariman – Investors Committee	Member – Investors Committee	Member – Investors Committee Chariman – Audit Committee
No of Shares held in the company	Nil	565000	2000

By Order of the Board
FOR, Gujarat Natural Resources Limited.

Place : Ahmedabad
Date : 04.09.2010

Ashok C. Shah
[Chairman]

Regd. Office
8, Sigma Corporate, Nr. Mann Party Plot,
S. G. Highway, Ahmedabad – 59.

GUJARAT NATURAL RESOURCES LIMITED

NOTES :

1. A Member is eligible to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and a Proxy need not be a member. The instrument appointing a proxy shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the meeting.
2. The Members are requested to notify any change in their address to the company quoting their folio number at the earliest to avoid inconvenience at a later stage.
3. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting, therefore, Members are requested to bring their copies of Annual Report to the meeting.
4. Shareholders seeking any information with regards to accounts are requested to write to the Company latest by 20th September, 2010 so as to enable the management to keep the information ready.
5. Members/Proxies should bring the Attendance slip attached herewith duly filled in for attending the meeting.
6. Register of Members shall remain closed from 30th September, 2010 to 8th October, 2010 (Both days inclusive).
7. Member Companies/Organisations are requested to send a copy of the resolution of their Governing Body authorising their representative to attend and vote at this Annual General Meeting.
8. Explanatory Statement pursuant to Section 173(2) of the Act is enclosed.

By Order of the Board
FOR, Gujarat Natural Resources Limited.

Place : Ahmedabad
Date : 04.09.2010

Ashok C. Shah
[Chairman]

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5 :

The Board of Directors of the Company have appointed Shri Pravinbhai Trivedi as an Additional Director with effect from 23.01.2010.

In terms of Section 260 of the Companies Act, 1956, Shri Pravinbhai Trivedi holds office up to the date of Annual General Meeting of the Company. The company has received valid notice along with requisite deposits from the Director under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director. In view of the background and vast experience, it will be in the interest of the Company that they continue as Director of the Company. Brief resume of him have been given in the Corporate Governance Report attached to the Directors' Report and Annexure to the AGM Notice.

Your Director recommend the resolutions for approval of members.

None of the Directors, except Shri Pravinbhai Trivedi who is proposed to be appointed, is interested in the resolution.

By Order of the Board
FOR, Gujarat Natural Resources Limited.

Place : Ahmedabad
Date : 04.09.2010

Ashok C. Shah
[Chairman]

GUJARAT NATURAL RESOURCES LIMITED

DIRECTORS' REPORT

To
The Members of
GUJARAT NATURAL RESOURCES LIMITED.

Your Directors have pleasure in presenting their 19th Annual Report together with the audited statement of accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS :

The following figures represent the results for the year :-->

	(Rs. In lacs)	
	2009-2010 Rs.	2008-2009 Rs.
Sales & Other Income	204.70	71.97
Profit before Depreciation & Taxation	3.88	2.03
Depreciation	3.27	1.31
Taxation	0.20	0.14
Net Profit After Tax for the year	0.41	0.57

STATUS OF THE PROJECT :

The company is engaged in the business of Oil & Gas exploration and production, and currently the company is carrying on these activities through its 100% owned subsidiaries. The company currently holds 30% participating interest (through its 100% owned subsidiary) in six producing Oil & Gas fields in the Cambay Basin. It is an operator in majority of these fields (with remainder held by Government of India and operator as GSPCL- Gujarat State Petroleum Corporation Limited).

FUTURE OUTLOOK:

The company plans to acquire new units producing small & medium sized Oil & Gas fields in India & abroad to push production levels to 2500 BOPD mark. The company is planning strategic entry into proven basins across the globe and own marquee assets – presently evaluating onshore producing assets in South East Asian region.

FINANCE :

During the year the company has raised finance by issuing Equity Shares, Share Warrants and OFCD under preferential issue guideline of the SEBI to finance the projects of the company.

DE-MERGER OF STEEL DIVISION:

During the year, the company has received an order from High Court of Gujarat sanctioning the Scheme of Arrangement in nature of De-merger of Steel Division of the company and it is effective from 4th February, 2010 and accordingly the effect of this de-merger scheme is given in this year's account as the appointed date was 1st April 2009.

SUBSIDIARY COMPANY :

During the year, the company has acquired 100% stake in M/s. Gorlas Oil and Gas Private Limited for total consideration of Rs. 1543.50 lacs and it became subsidiary of the company. Further M/s. Alkor Petro Overseas Ltd., M/s. Heramec Ltd, M/s. Gorlas Corporate Holdings Ltd, and M/s. Heramec Oil & Gas (Singapore) PTE Ltd. being subsidiary of M/s. Gorlas Oil and Gas Pvt. Ltd. , all these companies also became the subsidiary of the company. Moreover M/s. Gorlas Global Energy PLC ISLE of MAN

being subsidiary of M/s. Gorlas Corporate Holdings Ltd., the said company also became the subsidiary of the Company.

Statement under Section 212 of the Companies Act, 1956 relating to subsidiaries is enclosed herewith. Further as required under Accounting Standard 21, consolidated account of parent and subsidiary companies are also enclosed with the accounts.

PARTICULARS OF EMPLOYEES:

There are no employee drawing remuneration exceeding the limit stipulated under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

STATUTORY INFORMATION:

Particulars of conservation of energy etc. u/s. 217(1)(e) are not applicable as the Commercial Production has not yet commenced. There are no plans to import any kind of technology for the project and hence information regarding its absorption is not applicable. There is no foreign exchange income or outgo.

DIRECTORS :

Mr. Hariyant C. Shelat and Mr. Shalin A. Shah retire from the Board by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Mr. Pravin P. Shah ceased to be a Director due to death during the year and the board appreciate the services rendered by him.

Mr. Pravinbhai V. Trivedi was appointed as Additional Director by the Board with effect from 23rd January, 2010. He holds such office upto the date of the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Brief resume of the Directors seeking appointment / reappointment together with the nature of their expertise in specific functional areas, name of companies in which they hold directorships and the membership of Committees of the Board and Shareholding of non-executive directors as stipulated under clause 49 of the Listing Agreement are given in the Corporate Governance Report and Annexure to AGM Notice.

PUBLIC DEPOSITS:

Your Company has not accepted any deposits during the year under review.

AUDITORS:

M/s Naimish K. Shah & Co, Chartered Accountants, Ahmedabad, is not eligible for reappointment and therefore M/s. Pankaj K. Shah Associates, Chartered Accountants, Ahmedabad be appointed as an Auditors of this company to hold office from this meeting until the conclusion of the next Annual General Meeting.

AUDIT OBSERVATIONS:

With reference to the observations of the Auditors on the accounts, the notes on accounts in the Schedule are self-explanatory.

DIRECTORS RESPONSIBILITY STATEMENT:

In compliance of Section 217(2AA), as incorporated by the Companies (Amendment) Act, 2000 in the Companies Act, 1956 your Directors confirm :

- i) That, in the preparation of the annual accounts, the applicable accounting standards had been followed,
- ii) That, the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended on 31st March'2010 and of the profit or Loss of the company for the year.
- iii) That, the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That, the directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT :

The Directors wish to place on record the unstinted efforts and dedicated services extended by the employees at all levels and the support received at all times from customers, suppliers, agents, and general public for their support and confidence reposed in the management.

Your Directors are also grateful to the Central and State Government Authorities and Company's Bankers for their continued assistance and support.

The Directors also express their sincere thanks to all the Shareholders for the continued support and trust they have reposed in the management.

By Order of the Board
FOR, Gujarat Natural Resources Limited.

Place : Ahmedabad
Date : 04.09.2010

Ashok C. Shah
[Chairman]

ANNEXURE - II

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy:

Statutorily, Corporate Governance involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders. The Company's philosophy of Corporate Governance is not only to meet the statutory requirements but also to go well beyond that and to attain a high level of transparency and accountability in the functioning of the company and the conduct of the business both internal and external. This is done with the sole view to enhance stake holder's value.

2. Board of Directors :

a) Composition of Board

The Board of Directors of the Company comprises of 6 Directors, of which one is Managing Director and non-executive Chairman. During the year two directors in the category of Promoter has been appointed and there are two Independent Directors.

b) Board Meetings:

During the financial year 2009-2010, Twelve Board meetings were held on 27/04/09, 18/05/09, 23/05/2009, 09/07/2009, 21/07/09, 01/09/09, 30/10/2009 14/12/2009, 20/01/10, 23/01/10, 11/02/10 & 27/02/2010.

The composition, attendance and other memberships of the Board of directors of the company is given as follows:

Name of Director	Designation	Category	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in public companies	Total No. of Committee memberships
Ashok C. Shah	Chairman	Non-Executive Promoter	12	YES	--	1
Shalin A. Shah	Managing Director	Executive Director Promoter	12	YES	--	1
Hariyant C. Shelat	Director	Non-Executive Independent	9	YES	--	2
Pravin P. Shah	Director Ceased w.e.f 12.11.09	Non-Executive Independent	6	YES	--	--
Ilesh Shah	Director w.e.f. 23.01.10	Non-Executive Promoter	3	No	--	--
Malav Mehta	Director w.e.f. 23.01.10	Non-Executive Promoter	3	No	--	--
Pravinbhai Trivedi	Director w.e.f. 23.01.10	Non-Executive Independent	3	No	--	2

3. Remuneration of Directors

a) Directors :

The Company has not set up a Remuneration Committee. The remuneration of Executive Directors were fixed by the Board and approved by the Shareholders at the Annual General Meetings. Details of remuneration paid to Managing Director during the financial year 2009-2010 is given below :

Name	Designation	Tenure of Appointment	Salary (Rs.)
Ashok C. Shah	Chairman & Director	5 Years	3,67,100
Shalin A. Shah	Managing director	5 Years	4,50,000

b) Non-Executive Directors :

Non-Executive Directors have not been paid any remuneration or sitting fees for attending Board and Committee meetings.

4. Audit Committee

The Board of the company has constituted an Audit Committee, comprising of Directors viz., Ashok C. Shah, Pravinbhai V. Trivedi are the members and Hariyant C. Shelat is the chairman of the committee. The terms of reference stipulated by the Board to the Audit committee covers the matters specified under clause 49 of the Listing Agreement as well as section 292 A of the companies Act 1956. The Committee also act as a link between the statutory auditors and the Board of Directors. The committee meets the statutory auditors periodically and reviews the quarterly / half-yearly and annual Auditor's Report thereon financial statements and discusses their findings and suggestions and seeks clarifications thereon. Five Audit Committee Meetings were held during the year ended 31st March 2010.

5. Shareholders'/Investors' Grievance Committee :

The Board of the company has constituted an Shareholders/investors' Grievance Committee, comprising of Directors viz., Hariyant C. Shelat & Shailn A. Shah are the members and Pravinbhai Trivedi is the chairman of the committee. The committee, interalia, approves issue of duplicate certificates and overseas and reviews all matters connected with the transfer of securities. The committee also looks into shareholders' complaints like transfer of shares, non receipts balance sheet etc. The committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services.

During the year, 15 complaints were received from the Shareholders and all 15 complaints were resolved. The Company has no transfers pending at the close of the financial year.

6. Disclosure

a) Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.

During the year, there were no materially significant transactions with related parties except disclosed in notes on accounts as per accounting standard 18 viz. the promoters, Directors or the Management, their relatives etc. that may have any potential conflict with the interests of the Company at large.

b) Disclosure of Accounting Treatment :

In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies which are consistently applied are set out in the Notes of the Accounts.

7. Share Transfer System

The Company had appointed M/s. Purva Sharegistry (India) Pvt. Ltd. as the Registrar and Transfer Agents. Valid Share transfers in physical form and complete in all respects were approved and registered within the stipulated period.

8. Dematerialisation of Shares and Liquidity

The shares of the company are permitted for demat on NSDL and CDSL.

<u>AS ON DATE</u>		<u>31.03.2010</u>
Issued subscribed & paid up Capital	:	24223700
A. Electronic holding in NSDL	:	14665485
B. Electronic holding in CDSL	:	5618107
C. Physical holding	:	3940108
TOTAL	:	24223700

9. Date, time and venue of 19th Annual General Meeting : 30th September, 2010 at 10:00 a.m. at 8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway, Ahmedabad – 59. Gujarat.
10. Book Closure Date : 30/09/2010 to 08/10/2010 (both days inclusive).
11. Dividend Payment Date : Not Applicable

12. Details of last three Annual General Meeting :

Meeting	Year	Venue of AGM	Date	Time
18 th AGM	2008-2009	7 th Floor, Ashoka Chambers, Nr. Lions Hall, Mithakhali Six Roads, Ahmedabad 380 006, Gujarat.	30.09.2009	10.00 a.m.
17 th AGM	2007-2008	7 th Floor, Ashoka Chambers, Nr. Lions Hall, Mithakhali Six Roads, Ahmedabad 380 006, Gujarat.	29.09.2008	10.00 a.m.
16 th AGM	2006-2007	7 th Floor, Ashoka Chambers, Nr. Lions Hall, Mithakhali Six Roads, Ahmedabad 380 006, Gujarat.	29.09.2007	10.00 a.m.

EGM : 04.05.2009, 18.06.2009, 06.08.2009, 18.06.2009, 18.08.2009, 16.01.2010, 04.03.2010, 27.03.2010

Resolution Passed through Postal Ballot: Appointment of Malav Mehta and lilesh Shah as Co-promoter on 04.03.2010.

13. Financial Calendar (Tentative)

Financial reporting for the quarter ending June 30, 2010	End of July, 2010
Financial reporting for the quarter/ half year ending September 30, 2010	End of October, 2010
Financial reporting for the quarter ending December 31, 2010	End of January, 2011
Financial reporting for the year ending March 31, 2011	End of April, 2011
Annual General Meeting for the year ending March 31, 2011	September, 2011

14. High/Low of monthly Market Price of the Company's Equity Shares traded on Mumbai Stock Exchange during the financial year 2009-2010 is furnished below :

Period	Share Price		No. of shares	No. of traders
	Highest (Rs.)	Lowest (Rs.)	Traded	
April-09	19.75	13.21	112666	599
May-09	21.68	13.96	155661	551
June-09	34.00	22.00	199616	706
July-09	46.95	25.00	1830638	1164
August-09	45.75	35.80	168829	617
September-09	89.50	41.50	537372	1769
October-09	74.80	101.00	321090	1516
November -09	100.00	76.05	167849	1061
December-09	89.55	70.80	137066	976
January -10	121.45	82.00	308997	976
February-10	128.00	80.05	141408	1821
March-10	121.00	85.00	339043	2153

15. Distribution of Shareholding as on March 31, 2010:

No. of Equity shares held (Range)	No. of Shareholders	Percentage to total shares	No. of Share held	Percentage to total shares
Upto 5000	6018	86.38	12823360	5.29
5001 – 10000	530	7.61	4479330	1.85
10001 – 20000	189	2.71	2923720	1.21
20001 – 30000	61	0.88	1481310	0.61
30001 – 40000	29	0.42	1039560	0.43
40001 – 50000	27	0.39	1268610	0.52
50001 – 100000	43	0.62	3119960	1.29
Above 100000	70	1.00	215101150	88.80
TOTAL	6967	100.00	242237000	100.00

- 16. Listing on Stock Exchanges** : The Stock Exchange, Mumbai
25th Floor, P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001.
- 17. Stock Codes** : Mumbai Stock Exchange - 513536
- 18. Demat ISIN Number in NSDL & CDSL** : INE207H01018
- 19. Investor Correspondence** : All enquiries, clarifications and
Correspondence should be addressed
to the compliance officer at the
following address.
- 20. Compliance Officer** : Shri Shalin A. Shah, Managing Director
8, Sigma Corporate, Nr. Mann Party Plot,
S. G. Highway, Ahmedabad – 59. Gujarat.
- 21. Corporate Office** : 8, Sigma Corporate, Nr. Mann Party Plot,
S. G. Highway, Ahmedabad – 59. Gujarat.
- 22. Address for correspondence** : 8, Sigma Corporate, Nr. Mann Party Plot,
S. G. Highway, Ahmedabad – 59. Gujarat.

23. Registrar & Transfer Agents

: **PURVA SHAREGISTRY (INDIA) PVT. LTD.**
Shiv Shakti Industrial Estates, Unit No. 9
7-B, J. R. Boricha Marg,
Sitaram Mill Compound, Mumbai 400 011.

DECLARATION

As provided under clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with Gujarat Natural Resources Limited's code of Business conduct and Ethics for the year ended March 31, 2010.

By Order of the Board
FOR, Gujarat Natural Resources Limited.

Place : Ahmedabad
Date : 04.09.2010

Ashok C. Shah
[Chairman]

MANAGEMENT DISCUSSION AND ANALYSIS:

INTRODUCTION

Your company had terminated the steels business since January 2008 and subsequent to order of Hon. High Court of Gujarat dated 30/12/2010, the steel division of the company has been demerged and the company currently operates in Oil & Gas Exploration and production business. The Company has acquired 100% equity of Gorlas Oil & Gas (P) Ltd. and your company owns 100% equity in the following companies and its step-down fully owned subsidiaries.

1. Heramec Limited- Incorporated in Bahamas with Limited Liability
2. Gorlas Corporate Holdings Limited – Isle of Man
3. Gorlas Global Energy Plc – Isle of Man
4. Alkoor Petro Overseas Limited UAE, Jebel Ali Free Zone

STRATEGY

In order to achieve the goal of becoming the leading oil & gas exploration and production company your company's strategy shall be as follows:

- Increasing production by work over and repairing of existing wells
- Drilling more development wells in existing fields
- Exploring deeper prospects in the existing fields
- Farming in to discovered/producing fields with upside exploration potential
- Reactivation of old and sick fields
- Application of EOR and IOR techniques
- Acquiring Exploration acreages in India and Overseas

OPPORTUNITIES

- Increasing global demand for oil and natural gas leading to extensive outsourcing of services.
- Ongoing Government Liberalization policy of private player entry in Oil & Gas sector.
- In the Gas Compression sector, currently there are very few players in India and Asian region. Thus there is a huge opportunity for new players to establish themselves in the domestic market.

INTERNAL CONTROL SYSTEMS

The Company shall establish & built adequate systems of internal controls towards achieving efficiency and effectiveness in operations, optimum utilization of resources, and effective monitoring thereof as well as compliance with all applicable laws.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY :

I, Mr. Shalin Ashok Shah, Managing Director of Gujarat Natural Resources Limited (the company) hereby certify the board that :

1. I have reviewed the financial statements and the cash flow Statement for the year and that to the best of our knowledge and belief:
 - (i) these statement do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading :
 - (ii) these statement together present a true and fair view of the Company affairs and are in compliance with existing accounting standards, applicable laws, and regulations.
1. To the best of our knowledge and belief, no transactions were entered into by Gujarat Natural Resources Limited during the year which are fraudulent, illegal or violative of the company's Code of Conduct.
2. I am responsible for establishing and maintaining internal controls for financial reporting in Gujarat Natural Resources Limited and I have evaluated the effectiveness of the internal control system of the Company pertaining to financial reporting. I have disclosed to the auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any of which I am aware and steps I have taken or propose to take to rectify these deficiencies.
3. I have indicated to the auditors and the audit Committee :
 - (i) Significant changes in internal controls over financial reporting during the year.
 - (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements.
4. I affirm that I have not denied any personal access to the Audit Committee of the Company (in respect of matter involving alleged misconduct, if any.)
5. I further declare that all Board Members and Senior Management have affirmed compliance with the Code of Conduct for the current year.

AUDITORS' REPORT

To,
The Members of
GUJARAT NATURAL RESOURCES LIMITED

1. We have audited the attached Balance Sheet of **GUJARAT NATURAL RESOURCES LIMITED** Ahmedabad as at 31st March, 2010 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based as 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 (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of the books;
 - (c) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with, by this report are in agreement with the books of accounts.
 - (d) In our opinion, Balance Sheet and Profit and Loss account and Cash flow statement dealt with this report comply with the Accounting Standard referred to in sub Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
 - (e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors of the company are prima facie disqualified as at 31st March 2010 from being appointed as Directors of the company in terms of Clause (g) of Section 274(1) of the Companies Act, 1956.

(f) In our opinion and to the best of our information and according to the explanation given to us, the accounts together with the notes thereon, give the information required under 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:

- (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2010, and
- (ii) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
- (iii) In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date :

FOR NAIMISH K. SHAH & CO.
CHARTERED ACCOUNTANTS

Place : Ahmedabad.
Date : 04.09.2010

(N.K.SHAH)
PROPRIETOR

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditor's report to the members of **GUJARAT NATURAL RESOURCES LIMITED**, on the accounts for the year ended on 31st March, 2010.

1. a. According to the information and explanation given to us, the fixed assets records showing full particulars including quantitative details and situation of fixed assets are under compilation.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the company has not disposed of substantial part of its fixed assets during the year and the Going Concern status of the Company is not effected.
2. a. The Inventories lying with the company have been physically verified by the management to the extent practicable at reasonable interval during the year or at the year end.
 - b. In our opinion the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. In our opinion the company is maintaining proper records of inventories and according to the records of the company the discrepancies noticed on physical verification of stocks as compared to book records were not material.
3. a. According to the information & explanations given to us, the Company has not granted any secured or unsecured loans to any party listed in the Register required to be maintained under section 301 of Companies Act, 1956, Accordingly clause 4(iii), (b) (c) & (d) of the order are not applicable to the company.
 - b. According to the information & explanations given to us, the Company has taken interest free unsecured loans from three parties to be listed in the Register required to be maintained under section 301 of the Act. The maximum amount involved during the year was **Rs. 310.05 lacs** and aggregate outstanding amount of such loan at the year end was **Rs. 310 lacs**.
 - c. In our opinion, the terms and conditions of such loan is not prima-facie prejudicial to the interest of the company.
 - d. In respect of the aforesaid loans, principal amount of loan are repayable on demand.
 - e. In respect of the aforesaid loan, there are no overdue amounts.
4. In our opinion and on the basis of test checks carried out by us, it appears that there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of audit, we have neither come across nor have been informed of any instance of major weaknesses in aforesaid internal control procedure, which would require corrective action.
5. a. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
 - b. As there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, paragraph 4(v)(b) of the order is not applicable.
6. The Company has not accepted deposits from public.
7. The company did not have any formal internal audit system during the year under review. In the opinion of the management, the existing internal control procedures are adequate and hence separate internal audit is not called for.

8. According to the information given to us by the Management the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the activities of the Company.
9. According to the records of the company, we are of the opinion that the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, VAT, wealth tax, service tax, custom duty, excise duty, Excess and other statutory dues applicable to it. Based on our audit procedures and according the information and explanations given to us, and records of the company, there are not arrears of statutory dues which has remained outstanding as at 31st March 2010.
10. The company has no accumulated losses and has not incurred any cash losses during the current financial year and in the immediately preceding financial year.
11. According to the records of the company, and the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank during the financial year.
12. In our opinion, the company has not granted any loans and advances on the basis of security by way of pledge of shares and other securities.
13. In our opinion, the provisions of any special statute applicable to chit fund or nidhi mutual fund or mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. As per the information and explanations given to us, the company during the years has not given guarantees for loans taken by others form bank.
16. In our opinion, the term loans have been applied for the purpose for which they were obtained / raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the company for the year under audit, we report that no funds raised on short-term assets except permanent working capital.
18. The company has made preferential allotment of shares, warrants and OFCD during the year to outsider under SEBI Guidelines on Preferential Issue.
19. The Company has not issued any debenture during the year.
20. The company has not raised any money by way of public issues during year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company nor have we been informed of such case by the management.

FOR NAIMISH K. SHAH & CO.
CHARTERED ACCOUNTANTS

Place : Ahmedabad.
Date : 04.09.2010

(N.K.SHAH)
PROPRIETOR

AUDITORS' CERTIFICATE

AS PER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Member of
GUJARAT NATURAL RESOURCES LIMITED
Ahmedabad.

We have examined the compliance of conditions of corporate governance by Gujarat Natural Resources Ltd. for the ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of information and according to the explanations given to us, we certify that company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2010, no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

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

FOR NAIMISH K. SHAH & CO.
CHARTERED ACCOUNTANTS

Place : Ahmedabad.
Date : 04.09.2010

(N.K.SHAH)
PROPRIETOR

GUJARAT NATURAL RESOURCES LIMITED
BALANCE SHEET AS ON 31ST MARCH, 2010

Particulars	Schedule	Current Year (Rs.)	Previous Year (Rs.)
<u>SHAREHOLDERS' FUND</u>			
Share Capital	1	327,105,225.00	139,337,000.00
Reserve & Surplus	2	77,521,286.58	81,432,408.08
<u>LOAN FUND :</u>			
Secured Loan	3	--	1,502,902.00
Unsecured Loan	4	230,999,975.00	3,959,000.00
TOTAL RS...		635,626,486.58	226,231,310.08
<u>APPLICATION OF FUNDS :</u>			
<u>FIXED ASSETS :</u>			
Gross Block	5	16,946,353.00	102,512,903.00
Less : Depreciation		1,727,731.00	1,555,023.00
		15,218,622.00	100,957,880.00
Add : Work in Progress - Office		60,000,000.00	--
Net Block		75,218,622.00	100,957,880.00
<u>INVESTMENTS</u>	6	187,550,000.00	55,763,971.00
<u>CURRENT ASSETS & LOANS & ADVANCES :</u>			
Inventories (As taken, valued and certified by the management)		1,595,086.00	--
Sundry Debtors	7	51,970,650.00	26,045,800.00
Cash & Bank Balance	8	1,582,705.58	388,252.83
Loan & Advances	9	311,576,301.00	28,474,626.00
		366,724,742.58	54,908,678.83
Less : CURRENT LIABILITIES & PROVISIONS	10		
-- Sundry Creditors		2,177,868.00	4,000,046.75
-- Provisions		16,391,003.00	134,102.00
		18,568,871.00	4,134,148.75
NET CURRENT ASSETS		348,155,871.58	50,774,530.08
<u>MISCELLANEOUS EXPENDITURE</u>	11	24,701,993.00	18,734,929.00
(To the extent not written off)			
TOTAL RS...		635,626,486.58	226,231,310.08
NOTES ON ACCOUNT	14		

As per our report of even date annexed.

FOR NAIMISH K. SHAH & CO
Firm Registration No. 106828W
CHARTERED ACCOUNTANTS

(NAIMISH K. SHAH)
PROPRIETOR
M. No. 31147

PLACE : Ahmedabad
DATE : 04.09.2010

FOR GUJARAT NATURAL RESOURCES LIMITED

DIRECTOR

DIRECTOR

PLACE : Ahmedabad
DATE : 04.09.2010

GUJARAT NATURAL RESOURCES LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule	Current Year (Rs.)	Previous Year (Rs.)
<u>INCOME :</u>			
Sales		--	6,723,185.00
Other Income	12	18,874,593.00	474,136.56
Increase / (Decrease) in Stock		1,595,086.00	--
TOTAL RS...		20,469,679.00	7,197,321.56
<u>EXPENDITURE :</u>			
Purchase		1,595,086.00	5,948,974.75
Administrative & Other Exps.	13	1,913,477.25	1,045,692.93
Financial Charges - OFCD Int.		16,263,013.00	--
Depreciation Exp.		326,938.00	131,341.00
TOTAL RS...		20,098,514.25	7,126,008.68
PROFIT/(LOSS) BEFORE TAX		371,164.75	71,312.88
Less : Prior Period Exp.		310,052.00	--
		61,112.75	71,312.88
LESS : PROVISION FOR TAXATION			
-- Current Tax		20,000.00	7,000.00
-- Fringe Benefit Tax		--	7,000.00
		20,000.00	14,000.00
PROFIT/(LOSS) AFTER TAX		41,112.75	57,312.88
PROFIT/(LOSS) B/F		750,171.08	692,858.20
PROFIT/(LOSS) C/F TO BALANCE SHEET		791,283.83	750,171.08
EARNING PER SHARE		0.00	0.00
NOTES ON ACCOUNT	14		

As per our report of even date annexed.

FOR NAIMISH K. SHAH & CO
Firm Registration No. 106828W
CHARTERED ACCOUNTANTS

(NAIMISH K. SHAH)
PROPRIETOR
M. No. 31147

PLACE : Ahmedabad
DATE : 04.09.2010

FOR GUJARAT NATURAL RESOURCES LIMITED

DIRECTOR

DIRECTOR

PLACE : Ahmedabad
DATE : 04.09.2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

CASH FLOW FROM OPERATING ACTIVITIES	Rs.	Rs.
NET PROFIT AS PER PROFIT AND LOSS A/C	61,112.75	71,312.88
ADJUSTMENT FOR-		
DEPRECIATION	326,938.00	131,341.00
DIVIDEND	(6,760.00)	
(PROFIT)/LOSS ON SALE OF VEHICLE	-	(4,486.00)
(PROFIT)/LOSS ON SALE OF INVESTMENT	(60,879.00)	-
Operating Profit/(Loss) before woking capital changes	320,411.75	198,167.88
(INCREASE)DERCREASE IN DEBTORS	(25,924,850.00)	(10,025,580.25)
(INCREASE)DECREASE IN LOANS &ADVANCES	(283,101,675.00)	22,407,583.00
(INCREASE)DERCREASE IN INVENTORIES	(1,595,086.00)	-
INCREASE(DECREASE IN CREDITORS	(1,822,178.55)	-
Increase in Provisions	16,337,678.00	28,325.00
Cash generated from operations	(296,106,111.55)	12,410,327.75
TAX PAID	(100,777.00)	-
[A] Net cash flow from operating activities	(295,886,476.80)	12,608,495.63
Cash Flow from Investing activity		
PURCHASE OF FIXED ASSETS	(60,023,950.00)	(3,476,198.00)
SALE OF FIXED ASSETS	85,436,270.00	-
SALE OF VEHICLE	-	155,500.00
SALE OF FIXED INVESTMENT	25,124,850.00	-
Purchase of investment	(156,850,000.00)	(49,100,000.00)
DIVIDEND RECEIVED	6,760.00	-
[B] Net Cash from Investing activity	(106,306,070.00)	(52,420,698.00)
Cash Flow from Finance activity		
INCRESE IN SHARE CAPITAL	263,969,545.00	1,200,000.00
INCREASE IN UNSECURED LOAN	227,040,975.00	2,485,000.00
DECREASE IN UNSECURED LOAN	(1,502,902.00)	-
DECREASE IN REVALUATION RESERVE	(80,153,554.25)	-
INCREASE IN PRE-OPERATIVE EXPENDITURE	(5,967,064.00)	(2,276,588.00)
[C] Net Cash used in financing activity	403,386,999.75	1,408,412.00
NET INCREASE(DECREASE) IN CASH & CASH EQUIVALENTS	1,194,452.95	(38,403,790.37)
OPENING CASH AND BANK BALANCE	358,252.83	38,762,043.20
CLOSING CASH AND BANK BALANCE	1,582,705.58	358,252.83

FOR NAIMISH K SHAH & CO.
Firm Registration No. 106828W
CHARTERED ACCOUNTANTS

FOR GUJARAT NATURAL RESOURCES LIMITED

(NAIMISH K. SHAH)
PROPRIETOR

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 04.09.2010

Place : Ahmedabad
Date : 04.09.2010

SCHEDULES FORMING PART OF ACCOUNTS AS ON 31ST MARCH, 2010 :

SCHEDULE - 1 SHARE CAPITAL

Particulars	Current Year (Rs.)	Previous Year (Rs.)
<u>AUTHORISED CAPITAL</u>		
4,00,00,000 Equity Shares of Rs. 10/- each (1,60,00,000 Equity Shares of Rs. 10/- each Previous Year)	400,000,000.00	160,000,000.00
	400,000,000.00	160,000,000.00
<u>ISSUED, SUBSCRIBED & PAID-UP CAPITAL</u>		
2,44,66,360 Equity Shares of Rs. 10/- each (1,39,33,700 Equity Shares of Rs. 10/- each fully paid Previous Year)	244,663,600.00	139,337,000.00
<u>PREFERENTIAL SHARE WARRANTS</u>		
	82,441,625.00	--
	327,105,225.00	139,337,000.00

SCHEDULE - 2 RESERVE & SURPLUS

Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Revaluation Reserve	528,682.75	80,682,237.00
2	Share Premium	76,201,320.00	-
3	Profit & Loss A/c	791,283.83	750,171.08
		77,521,286.58	81,432,408.08

SCHEDULE - 3 SECURED LOAN

Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Gujarat Industrial Development Corporation Ltd (Deferred payment towards Leasehold Land)	-	1,502,902.00
		0.00	1,502,902.00

SCHEDULE - 4 UNSECURED LOAN (FROM DIRECTOR, SHAREHOLDER AND RELATIVES)

Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Malav A. Mehta	1,000,000.00	1,250,000.00
2	Ilesh Shah	30,000,000.00	--
3	Rhetan Estate Pvt. Ltd.	--	550,000.00
4	Optionly Fully Convertible Debenture	199,999,975.00	--
<u>RENT DEPOSIT</u>			
1	Pegepoint Service (India) Pvt. Ltd.	--	59,000.00
2	Zenith Incorporation	--	100,000.00
3	Technocorp Infosystems Ltd	--	2,000,000.00
		230,999,975.00	3,959,000.00

SCHEDULE - 5 FIXED ASSETS

NO.	NAME OF THE ASSET	GROSS BLOCK			DEPRECIATION				NET BLOCK	
		AS ON 01.04.2009	ADDITION/ (DEDUCTION)	AS ON 31.03.2010	AS ON 01.04.2009	DEDUCTION	DEPRECIATION DURING THE YEAR	UP TO 31.03.2010	AS ON 31.3.2009	AS ON 31.3.2010
1	Leasehold Land *	45,000,000.00	(45,000,000.00)	--	--	--	--	45,000,000.00	--	
2	Factory Building *	30,500,000.00	(30,500,000.00)	--	--	--	--	30,500,000.00	--	
3	Plant & Machinery	658,064.00	--	658,064.00	--	--	--	658,064.00	658,064.00	
4	Office Premises *	24,298,436.00	(10,090,500.00)	14,207,936.00	344,961.00	154,230.00	225,525.00	23,953,475.00	13,791,680.00	
5	Furniture & Fixture	1,244,503.00	--	1,244,503.00	1,114,265.00	--	82,844.00	130,238.00	47,394.00	
6	Office Equipment	787,900.00	--	787,900.00	95,479.00	--	11,286.00	692,421.00	681,135.00	
7	Computer	24,000.00	21,250.00	45,250.00	318.00	--	7,283.00	23,682.00	37,649.00	
8	Cycle	--	2,700.00	2,700.00	--	--	--	--	2,700.00	
		102,512,903.00	(85,566,550.00)	16,946,353.00	1,555,023.00	154,230.00	326,938.00	1,727,731.00	100,957,880.00	15,218,622.00

Note : (*)

Deduction from Gross block includes assets transferred of Steel Division as per Scheme of Arrangement. (Refer Note No. 2 Schedule No. 14)

SCHEDULE - 6 INVESTMENTS (AT COST)			
Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
<u>LONG TERM INVESTMENTS</u>			
	Equity Shares - Unquoted	187,550,000.00	55,763,971.00
		187,550,000.00	55,763,971.00
SCHEDULE - 7 SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)			
Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
A)	More than Six months	26,045,800.00	26,045,800.00
B)	Others	25,924,850.00	--
		51,970,650.00	26,045,800.00
SCHEDULE - 8 CASH & BANK BALANCE			
Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Cash on Hand	1,554,066.00	343,597.45
2	<u>Balance with Schedule Bank in Current A/c:</u>		
	a) ICICI Bank	26,591.72	29,381.97
	b) Syndicate Bank	--	12,635.55
	c) Union Bank of India	2,047.86	2,637.86
		1,582,705.58	388,252.83
SCHEDULE - 9 LOANS & ADVANCES			
Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Deposits	5,797,152.00	5,797,152.00
2	Advances recoverable in cash or in kind or for value to be received	304,904,149.00	17,599,285.00
3	Advance on Capital Account	875,000.00	5,078,189.00
		311,576,301.00	28,474,626.00
SCHEDULE - 10 CURRENT LIABILITIES & PROVISIONS			
Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
A)	<u>SUNDRY CREDITORS</u>	2,177,868.00	4,000,046.75
		2,177,868.00	4,000,046.75
B)	<u>PROVISIONS</u>		
1	Unpaid Audit Fees	5,000.00	5,000.00
2	Provision for FBT	--	7,000.00
3	Provision for Income Tax	20,000.00	7,000.00
4	Provision for Taxation	--	86,777.00
5	Unpaid Salary	36,000.00	--
6	Unpaid Telephone Exp.	5,184.00	--
7	Interest Payable	14,636,712.00	--
8	TDS Payable	1,688,107.00	28,325.00
		16,391,003.00	134,102.00

SCHEDULE - 11 MISCELLANEOUS EXPENDITURE

Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Preliminary Exp.	1,870,000.00	1,020,000.00
2	Public Issue Exp.	880,765.00	600,879.00
3	Pre-operative Exp.	19,242,910.00	17,114,050.00
4	De-merger Exp.	2,708,318.00	--
		24,701,993.00	18,734,929.00

SCHEDULE - 12 OTHER INCOME

Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Interest Income	17,526,630.00	83,096.56
2	Rent Income	280,324.00	386,450.00
3	Profit on Sale of Assets	--	4,486.00
4	Kasar - Vataav	--	104.00
5	Consultancy Income	1,000,000.00	--
6	Dividend Income	6,760.00	--
7	Profit on Sale of Investment	60,879.00	--
		18,874,593.00	474,136.56

SCHEDULE - 13 ADMINISTRATIVE & OTHER EXPENSES

Sr. No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Advertisement exp.	148,269.00	2,500.00
2	Audit Fees	7,000.00	5,000.00
3	Bank Charges	8,177.00	15,368.93
4	Books & Periodical Exp.	768.00	--
5	Computer Exp.	--	6,000.00
6	Consultancy Exp.	--	43,607.00
7	Conveyance Exp.	16,601.00	--
8	Depository Exp.	--	38,204.00
9	Electricity Exp.	165,614.00	150,182.00
10	Income Tax Exp.	59,990.00	--
11	Insurance Exp.	11,321.00	--
12	Interest on TDS	1,376.00	--
13	Internet Charges	43,870.00	--
14	Legal Exp.	7,405.00	5,000.00
15	Meeting Exp.	7,205.00	--
16	Membership Fees	63,996.00	--
17	Office Exp.	48,299.45	86,451.00
18	Other Exp.	--	126,000.00
19	Postage, Courier, Xerox Exp.	21,096.00	3,572.00
20	Professional Fees	280,717.00	--
21	Repair & Maintenance (Building)	24,300.00	33,924.00
22	Repair & Maintenance (others)	18,129.00	--
23	ROC Exp.	18,100.00	49,500.00
24	Salary & Bonus Exp.	506,352.00	309,012.00
25	Share Transfer Exp.	39,975.00	67,993.00
26	Staff Welfare Exp.	22,323.00	--
27	Stamping Exp.	400.00	--
28	Stationery & Printing Exp.	86,736.00	21,429.00
29	Share Listing Fees	172,134.00	25,109.00
30	Telephone Exp.	87,231.80	56,841.00
31	Traveling Exp.	25,509.00	--
32	Vehcile Petrol & Repairing Exp.	20,583.00	--
		1,913,477.25	1,045,692.93

SCHEDULE: 14

NOTES FORMING PART OF THE ACCOUNTS:

1. Accounting policies and other relevant Notes:

Significant Accounting Policies adopted in the preparation and presentation of the accounts are as under:

- A) Basis of preparation of financial statements
- a) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and provisions of the Companies Act, 1956 as adopted consistently by the Company.
- b) Accounting policies not specifically referred to are otherwise consistent with generally accepted accounting principles followed by the Company.
- B) Sales : Sales are inclusive of VAT and net of Sales Return, Brokerage etc. if any.
- C) Fixed Assets and Depreciation:
- a) Fixed Assets are stated at cost of acquisition less accumulated depreciation. All costs, including financing cost till commencement of commercial production are capitalised/ to be capitalised.
- b) Depreciation on the assets of the Company (except Leasehold Land and assets under installation/construction) has been provided on Straight Line Method at the rates and in the manner specified in the amended Schedule XIV to the Companies Act, 1956.
- D) Investments : Investments are stated at cost and have been considered as long term investments. The investments at the close of the year are as certified by the management. The said investments are subject to physical verification.
- E) Cash on hand as at 31/3/2010 has been certified as correct by the management.
2. The scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 (the scheme) to transfer Steel Division on a going concern basis to its M/s. Lesha Industries Limited w.e.f. 1st April, 2009, the appointed date has become effective on 4th February, 2010, on getting requisite approvals and completion of necessary formalities.
- In terms of the Scheme, the shareholders of the Company will receive 1 (one) equity share of M/s. Lesha Industries Limited of the face value of Rs. 10/- each, credited as fully paid up for every 2 (two) fully paid up equity share of the Company held on 26th February, 2010, the record date to be fixed for the purpose.
- Consequent to vesting of the Steel Division of the Company in terms of the Scheme, the financial statements of the company for the year ended 31st March, 2010, do not include the operations of the Steel Division for the period of twelve months from 1st April, 2009 to 31st March, 2010, and are therefore strictly not comparable with the figure of the previous year ended 31st March, 2009.
3. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable with the current year's figures.
4. The Company is yet to receive Rs. 80215/- from some of the collecting bankers which have been debited to public issue money recovery account in the books of account.
5. Managerial Remunerations:
- | | Current Year Rs. | Previous Year Rs. |
|-----------------------------|------------------|-------------------|
| 1) <u>Managing Director</u> | | |
| a) Remuneration | <u>8,17,100</u> | <u>6,60,000</u> |
| | <u>8,17,100</u> | <u>6,60,000</u> |

6. Payment to Auditors

Audit Fees	5,000	5,000
------------	-------	-------

- 7 a) Wherever the vouchers / bills etc. have not been adequately supported or are missing, the Management has certified that the transactions under question are genuine transactions. The Auditors have accepted such certification of the management.
- b) In the opinion of the Directors, Current Assets, Loans and Advances are approximately of the value if realised in the ordinary course of business and all known liabilities have been fully provided for unless otherwise specified in this Schedule
- c) In the opinion of the Directors, no personal expenses have been debited in the books of account.

8. Quantitative Information pursuant to Paragraphs 3 and 4 of Part-II of Schedule VI to the Companies Act, 1956 (As certified by the Management).

	Current Year Rs.		Previous Year Rs.	
	-----		-----	
I.	Licensed Capacity	N.A.		N.A.
	Installed Capacity	N.A.		N.A.
	Actual Own Production	NIL		NIL
II.	Opening & Closing Stock of Finished Goods (Oil)		(MS CTD Bars)	
	Ltr	Rs.	M.T.	Rs.
	Opening Stock	---	---	---
	Closing Stock	12915	15,95,086	---
III.	Turnover			
	Rolled Steel			
	Products (Trading)	---	---	210.349
IV.	Purchases (Trading)			
	Rolled Steel			
	Products	12915	15,95,086	210.349
V	Raw Materials Conversion (100% Indigenous for both the years)			
	Ingots/Re-rollable			
	M.S.Plates/Scrap	NIL		NIL
VI	C.I.F. Value of Imports	NIL		NIL
VII	Expenses in Foreign			
	Currency	NIL		NIL
VIII	F.O.B. Value of Exports	NIL		NIL
IX	Remittance in Foreign			
	Currency on account of			
	Dividend	NIL		NIL

9. **Segment Accounting:**

The Company now predominantly operates in a single segment namely "Oil & Gas" and is primary basis for segment information which as per Accounting Standards 17 is considered as the only reportable business segment.

10. Deferred Tax :

In accordance with accounting standard 22 "Accounting for taxes on income" issued by the institute of chartered accountants of India, which has become mandatory from 1st April, 2001.

Since, the company has carried forward unabsorbed depreciation of negligible amount And current year difference of depreciation between income tax method and company Law method, being also negligible, deferred tax assets as on 31st March' 2010 has not been recognized.

11. Related parties disclosure :

Related parties disclosure in accordance with Accounting Standard 18 issued by Institute of Chartered Accountants of India :

a) Related parties and nature of relationship :

Directors of the Company :

Relatives of directors :

1. Ashok C. Shah
2. Shalin A. Shah
3. Pravin P. Shah upto 12.11.2009
4. Hariyant C. Shelat
5. Ilesh Shah w.e.f. 23.01.2010
6. Malav Mehta w.e.f. 23.01.2010
7. Pravinbhai Trivedi w.e.f. 23.01.2010

Associates Companies, Firms

1. Lesha Industries Ltd.
2. Shree Ghantakarna Rolling Mills P. Ltd

Subsidiary Company :

1. Sigma Oil & Gas Pvt. Ltd.
2. Gorlas Corporate Holding Ltd
3. Heramec Ltd
4. Heramec Oil & Gas (Singapore) Pte Ltd
5. Alkor Petro Overseas Ltd
6. Gorlas Global Energy PLC

b) Transactions that have taken place during the period April 1, 2009 to March 31, 2010 with related parties by the company.

Name of the related parties whom transactions have been made	Description of relationship with the party	Nature of Transactions	Amount 2009 – 2010 (Rs. in Lacs)	Amount outstanding as on 31.03.2010. (Rs. In Lacs)
Ashok C. Shah	Chairman	Remuneration	3.67	---
Shalin A. Shah	Managing Director	Remuneration	4.50	--
Malav Mehta	Director	Loan	10.00	10.00
Ilesh Shah	Director	Loan	300.00	300.00
Shalin A. Shah HUF	Director's HUF	Loan	0.05	--
Sigma Oil & Gas Pvt. Ltd.	Subsidiary Company	Interest Income		--

As per our attached Report of even date.
For and on behalf of
NAIMISH K. SHAH & CO.
Chartered Accountants

(N.K.SHAH)
PROPRIETOR

Place : Ahmedabad.
Date : 04.09.2010

ASHOK C. SHAH
[CHAIRMAN]

SHALIN A. SHAH
[MANAGING DIRECTOR]

Place : Ahmedabad.
Date : 04.09.2010

Information to Part IV of Schedule VI of the Companies Act, 1956

BALANCESHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No. : 16158 State Code : 04
Balance Sheet Date : 31.03.2010

II. Capital raised during the year

Public Issue : -- Right Issue : --
Bonus Issue : -- Private Placement : Rs. 1877.68 lacs

III. **Position of Mobilisation and Deployment of Funds (Rs. in '000)**

Total Liabilities : 635626.49 Total Assets : 635626.49

Sources of Funds

Paid up Capital : 327105.22
Share App. Money : --
Reserves & Surplus : 77521.29
Secured Loans : --
Unsecured Loans : 230999.98

Application of Funds

Net Fixed Assets : 75218.62
Investments : 187550.00
Net Current Assets : 348155.87
Misc Expenditure : 24702.00
Accumulated Loss : --

IV

Performance of Company

Turnover Total : 20469.68 Expenditure : 20098.51
Profit/(Loss) before Tax : 61.11 Profit/(Loss) after Tax : 41.11
Earning per Share is Rs. : 0.00 Dividend Rate % : --

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)
Product Description

i) Oil & Gas Sector

Signatures to Schedules 1 to 14

As per our attached Report
of even date.
For and on behalf of
NAIMISH K. SHAH & CO.
Chartered Accountants

ASHOK C. SHAH
[CHAIRMAN]

SHALIN A. SHAH
[MANAGING DIRECTOR]

(N.K.SHAH)
PROPRIETOR

Place : Ahmedabad.
Date : 04.09.2010

Place : Ahmedabad.
Date : 04.09.2010

Statement under section 212 of the Companies Act, 1956 relating to subsidiaries

	Name of Subsidiary	Sigma Oil & Gas Pvt. Ltd	Gorlas Corporate Holdings Ltd	Heramec Ltd	Heramec Oil & Gas (Singapore) Pte Ltd	Alkor Petro Overseas Ltd	Gorlas Global Energy PLC
	Name of Holding Co.	Gujarat Natural Resources Ltd	Sigma Oil & Gas Pvt. Ltd	Sigma Oil & Gas Pvt. Ltd	Sigma Oil & Gas Pvt. Ltd	Sigma Oil & Gas Pvt. Ltd	Gorlas Corporate Holdings Ltd
1	Financial year of the subsidiaries ended on	31-03-10	31-03-10	31.03.10	31-03-10	31-03-10	31-03-10
2	Shares of the subsidiaries held by the company on 31.03.2010	100%	100%	100%	100%	100%	100%
(a)	Number and face value-equity	10290000 equity shares of Rs. 10 each fully paid.	10,000 equity shares of \$1 each fully paid.	50 equity shares of \$1 each fully paid.	4082000 equity shares of \$1 each fully paid	--	9100 equity shares of \$1 each fully paid
(b)	Extent of holding	100%	100%	100%	100%	100%	100%
3	Net aggregate amount of profit/ losses of the subsidiaries not dealt with in the company's account so far as it concerns the members of the holding company						
(a)	For the financial year of the subsidiaries	Rs.(17536032)	\$(56966.89)	Rs.3631863	\$(5628.31)	--	\$(7099.39)
(b)	For the previous financial years since they became subsidiaries	Rs.(17536032)	\$(56966.89)	Rs.3631863	\$(5628.31)	--	\$(7099.39)
4	Net aggregate amount of profit/ losses of the subsidiaries dealt with in the company's account so far as it concerns the members of the holding company						
(a)	For the financial year of the subsidiary	Rs.(17536032)	\$(56966.89)	Rs.3631863	\$(5628.31)	--	\$(7099.39)
(b)	For the previous financial years since they became subsidiaries	Rs.(17536032)	\$(56966.89)	Rs.3631863	\$(5628.31)	--	\$(7099.39)
5	Change of interest of the company in the subsidiaries between the end of the financial year of the subsidiary and the financial year of the company.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6	Material changes between the end of the financial year of the subsidiary and the end of financial year of the company is respect of subsidiaries.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
i)	Fixed assets						
ii)	Investments						
iii)	Money lent						
iv)	Borrowings other than for meeting current liabilities						

Auditors' Report on Consolidated Financial Statements of Gujarat Natural Resources Limited for the year ended 31st March, 2010;

**To
The Board of Directors,
Gujarat Natural Resources Limited**

We have audited the attached consolidated Balance Sheet of M/s. Gujarat Natural Resources Limited, Ahmedabad, and its subsidiaries as at 31st March, 2010 and also the related Profit and Loss Account for the year ended on that date, both annexed hereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We did not audit the financial statements of subsidiaries, namely M/s. Gorlas Oil and Gas Private Limited and M/s. Alkor Petro Overseas Ltd., M/s. Heramec Ltd, M/s. Gorlas Corporate Holdings Ltd, and M/s. Heramec Oil & Gas (Singapore) PTE Ltd, being subsidiaries of M/s. Gorlas Oil and Gas Private Limited and M/s. Gorlas Global Energy PLC ISLE of MAN being subsidiary of M/s. Gorlas Corporate Holdings Ltd. for the year ended 31st March, 2010. These financial statements and other information of the subsidiaries have been audited by other Auditors whose report have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is solely based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of M/s. Gujarat Natural Resources Limited and its subsidiaries included in the consolidated financial statements.

On the basis of information and explanations given to us and on consideration of separate audit reports on individual audited financial statements of M/s. Gujarat Natural Resources Ltd. and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of Consolidated Balance Sheet of the consolidated state of affairs of Gujarat Natural Resources Limited and its subsidiaries as at 31st March, 2010
- b) In the case of Consolidated Profit & Loss Account, Loss of the consolidated results of operations of Gujarat Natural Resources Limited and its subsidiaries for the year ended on that date;

FOR NAIMISH K. SHAH & CO.
Firm Registration No. 106828W
CHARTERED ACCOUNTANTS

Place : Ahmedabad.
Date : 04.09.2010

(N.K.SHAH)
PROPRIETOR
M. No. 31147

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2010

Particulars	Schedule	Current Year (Rs.)
<u>SHAREHOLDERS' FUND</u>		
Share Capital	1	327,105,225.00
Reserve & Surplus	2	178,837,653.75
<u>LOAN FUND :</u>		
Secured Loan	3	4,977,915.00
Unsecured Loan	4	468,629,006.70
Deferred Tax Liabilities		15,579,808.00
TOTAL RS...		995,129,608.45
<u>APPLICATION OF FUNDS :</u>		
<u>FIXED ASSETS :</u>		
Gross Block	5	509,682,284.00
Less : Depreciation		46,366,832.00
		463,315,452.00
Add : Work in Progress		335,133,427.00
Net Block		798,448,879.00
<u>INVESTMENTS</u>		
	6	187,550,000.00
<u>CURRENT ASSETS & LOANS & ADVANCES :</u>		
Inventories (As taken, valued and certified by the management)		1,813,856.00
Sundry Debtors	7	71,865,915.00
Cash & Bank Balance	8	10,340,500.40
Loan & Advances	9	186,306,878.00
		270,327,149.40
Less : CURRENT LIABILITIES & PROVISIONS	10	
-- Sundry Creditors		290,518,486.00
-- Provisions		38,603,681.50
		329,122,167.50
NET CURRENT ASSETS		(58,795,018.10)
<u>MISCELLANEOUS EXPENDITURE</u>		
(To the extent not written off)	11	24,701,993.00
Profit & Loss Account		43,223,754.55
TOTAL RS...		995,129,608.45
NOTES ON ACCOUNT	14	

As per our report of even date annexed.

FOR NAIMISH K. SHAH & CO

Firm Registration No.

CHARTERED ACCOUNTANTS

(NAIMISH K. SHAH)

PROPRIETOR

M. No. 31147

PLACE : Ahmedabad

DATE : 04.09.2010

FOR GUJARAT NATURAL RESOURCES LIMITED

DIRECTOR

DIRECTOR

PLACE : Ahmedabad

DATE : 04.09.2010

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule	Current Year (Rs.)
<u>INCOME :</u>		
Sales		61,812,380.00
Other Income	12	29,029,966.00
Increase / (Decrease) in Stock		1,641,907.00
TOTAL RS...		92,484,253.00
<u>EXPENDITURE :</u>		
Purchase		14,634,226.00
Administrative & Other Exps.	13	37,668,634.34
Finance Charges		20,167,846.00
Profit Petroleum to Government		711,000.00
PSC Overheads		717,685.00
Depreciation Exp.		17,720,523.00
TOTAL RS...		91,619,914.34
PROFIT/(LOSS) BEFORE TAX		864,338.66
Less : Prior Period Exp.		310,052.00
		554,286.66
LESS : PROVISION FOR TAXATION		
-- Current Tax		729,443.00
-- Deferred Tax Liability		(1,669,505.00)
		(940,062.00)
PROFIT/(LOSS) AFTER TAX		1,494,348.66
PROFIT/(LOSS) B/F		(44,718,103.21)
PROFIT/(LOSS) C/F TO BALANCE SHEET		(43,223,754.55)
EARNING PER SHARE		0.06
NOTES ON ACCOUNT	14	

As per our report of even date annexed.

FOR NAIMISH K. SHAH & CO
Firm Registration No.
CHARTERED ACCOUNTANTS

FOR GUJARAT NATURAL RESOURCES LIMITED

(NAIMISH K. SHAH)
PROPRIETOR
M. No. 31147

DIRECTOR

DIRECTOR

PLACE : Ahmedabad

PLACE : Ahmedabad

DATE : 04.09.2010

DATE : 04.09.2010

SCHEDULES FORMING PART OF ACCOUNTS AS ON 31ST MARCH, 2010 :

SCHEDULE - 1 SHARE CAPITAL

Particulars	Current Year (Rs.)
<u>AUTHORISED CAPITAL</u>	
4,00,00,000 Equity Shares of Rs. 10/- each (1,60,00,000 Equity Shares of Rs. 10/- each Previous Year)	400,000,000.00
	<u>400,000,000.00</u>
<u>ISSUED, SUBSCRIBED & PAID-UP CAPITAL</u>	
2,44,66,360 Equity Shares of Rs. 10/- each (1,39,33,700 Equity Shares of Rs. 10/- each fully paid Previous Year)	244,663,600.00
<u>PREFERENTIAL SHARE WARRANTS</u>	82,441,625.00
	<u>327,105,225.00</u>

SCHEDULE - 2 RESERVE & SURPLUS

Sr. No.	Particulars	Current Year (Rs.)
1	Revaluation Reserve	528,682.75
2	Share Premium	158,199,426.00
3	Capital Reserve	20,109,545.00
		<u>178,837,653.75</u>

SCHEDULE - 3 SECURED LOAN

Sr. No.	Particulars	Current Year (Rs.)
1	UTI Bank Cash Credit A/c	4,977,915.00
		<u>4,977,915.00</u>

SCHEDULE - 4 UNSECURED LOAN (FROM DIRECTOR, SHAREHOLDER AND RELATIVES)

Sr. No.	Particulars	Current Year (Rs.)
	DIRECTOR, SHAREHOLDERS AND RELATIVES	268,629,031.70
	Optionly Fully Convertible Debenture	199,999,975.00
		<u>468,629,006.70</u>

SCHEDULE - 5 FIXED ASSETS

NO.	NAME OF THE ASSET	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		AS ON 01.04.2009	ADDITION/ (DEDUCTION)	AS ON 31.03.2010	AS ON 01.04.2009	DEDUCTION	DEPRECIATION DURING THE YEAR	UP TO 31.03.2010	AS ON 31.3.2009
1	Leasehold Land *	45,000,000.00	(45,000,000.00)	--	--	--	--	45,000,000.00	--
2	Factory Building *	30,500,000.00	(30,500,000.00)	--	--	--	--	30,500,000.00	--
3	Plant & Machinery	12,645,466.00	774,370.00	13,419,836.00	2,874,342.00	1,345,368.00	4,219,710.00	12,645,466.00	13,419,836.00
4	Office Premises *	24,298,436.00	(10,090,500.00)	14,207,936.00	344,961.00	225,525.00	416,256.00	23,953,475.00	13,791,680.00
5	Building	874,784.00	-	874,784.00	314,522.00	48,795.00	363,317.00	560,262.00	511,467.00
6	Production Properties	200,729,560.00	38,785,695.00	239,515,255.00	22,871,261.00	15,609,947.00	38,481,208.00	177,858,299.00	201,034,047.00
7	Cell Phone Instru.	38,054.00	76,300.00	114,354.00	11,334.00	5,665.00	16,999.00	26,720.00	97,355.00
8	Furniture & Fixture	1,684,606.00	148,120.00	1,832,726.00	1,344,707.00	131,284.00	1,475,991.00	339,899.00	356,735.00
9	Office Equipment	989,527.00	5,100.00	994,627.00	213,884.00	24,894.00	238,778.00	775,643.00	755,849.00
10	Computer	407,775.00	20,857.00	428,632.00	138,754.00	44,116.00	182,870.00	269,021.00	245,762.00
11	Vehicles	1,787,308.00	2,700.00	1,790,008.00	686,775.00	284,928.00	971,703.00	1,100,533.00	818,305.00
12	Goodwill**	-	236,504,126.00	236,504,126.00	-	-	-	0.00	236,504,126.00
		318,955,516.00	190,726,768.00	509,682,284.00	28,800,540.00	17,720,522.00	46,366,832.00	293,029,318.00	467,535,162.00

Note : (*)

Deduction from Gross block includes assets transferred of Steel Division as per Scheme of Arrangement. (Refer Note No. 2 Schedule No. 14)

Note : ()**

Difference of Liability over assets is considered as Goodwill

SCHEDULE - 6 INVESTMENTS (AT COST)		
Sr. No.	Particulars	Current Year (Rs.)
<u>LONG TERM INVESTMENTS</u>		
	Equity Shares - Unquoted	187,550,000.00
		<u>187,550,000.00</u>
SCHEDULE - 7 SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Sr. No.	Particulars	Current Year (Rs.)
A)	More than Six months	40,775,310.00
B)	Others	31,090,605.00
		<u>71,865,915.00</u>
SCHEDULE - 8 CASH & BANK BALANCE		
Sr. No.	Particulars	Current Year (Rs.)
1	Cash on Hand	2,632,664.00
2	Balance with Schedule	
	In Current Account	3,636,189.75
	In Fixed Deposits	4,071,647.00
		<u>10,340,500.75</u>
SCHEDULE - 9 LOANS & ADVANCES		
Sr. No.	Particulars	Current Year (Rs.)
1	Deposits	5,901,677.00
2	Advances recoverable in cash or in kind or for value to be received	113,024,518.00
3	Advance on Capital Account	875,000.00
4	Advance to Suppliers	59,934,955.00
5	Advance to Others	6,570,728.00
		<u>186,306,878.00</u>

SCHEDULE - 10 CURRENT LIABILITIES & PROVISIONS

Sr. No.	Particulars	Current Year (Rs.)
A)	<u>SUNDRY CREDITORS</u>	290,518,486.00
		<u>290,518,486.00</u>
B)	<u>PROVISIONS</u>	
1	Provisions	33,927,493.50
2	Provision for Income Tax	1,388,562.00
3	TDS Payable	3,287,626.00
		<u>38,603,681.50</u>

SCHEDULE - 11 MISCELLANEOUS EXPENDITURE

Sr. No.	Particulars	Current Year (Rs.)
1	Preliminary Exp.	1,870,000.00
2	Public Issue Exp.	880,765.00
3	Pre-operative Exp.	19,242,910.00
4	De-merger Exp.	2,708,318.00
		<u>24,701,993.00</u>

SCHEDULE - 12 OTHER INCOME

Sr. No.	Particulars	Current Year (Rs.)
1	Interest Income	22,283,148.00
2	Rent Income	280,324.00
3	Consultancy Income	6,398,855.00
4	Dividend Income	6,760.00
5	Profit on Sale of Investment	60,879.00
		<u>29,029,966.00</u>

SCHEDULE - 13 ADMINISTRATIVE & OTHER EXPENSES

Sr. No.	Particulars	Current Year (Rs.)
1	Advertisement exp.	148,269.00
2	Audit Fees	7,000.00
3	Bank Charges	8,177.00
4	Books & Periodical Exp.	768.00
5	Conveyance Exp.	16,601.00
6	Electricity Exp.	165,614.00
7	Income Tax Exp.	59,990.00
8	Insurance Exp.	11,321.00
9	Interest on TDS	1,376.00
10	Internet Charges	43,870.00
11	Legal Exp.	7,405.00
12	Meeting Exp.	7,205.00
13	Membership Fees	63,996.00
14	Office Exp.	48,299.45
15	Postage, Courier, Xerox Exp.	21,096.00
16	Professional Fees	280,717.00
17	Repair & Maintenance (Building)	24,300.00
18	Repair & Maintenance (others)	18,129.00
19	ROC Exp.	18,100.00
20	Salary & Bonus Exp.	506,352.00
21	Share Transfer Exp.	39,975.00
22	Staff Welfare Exp.	22,323.00
23	Stamping Exp.	400.00
24	Stationery & Printing Exp.	86,736.00
25	Share Listing Fees	172,134.00
26	Telephone Exp.	87,231.80
27	Traveling Exp.	25,509.00
28	Vehicle Petrol & Repairing Exp.	20,583.00
29	Administrative Exp. - Subsidiaries	35,755,157.09
		37,668,634.34

SCHEDULE: 14

NOTES FORMING PART OF THE ACCOUNTS:

1. Accounting policies and other relevant Notes:

Significant Accounting Policies adopted in the preparation and presentation of the accounts are as under:

A) Basis of preparation of financial statements

a) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and provisions of the Companies Act, 1956 as adopted consistently by the Company.

b) Unincorporated Joint Ventures

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the respective Production Sharing Contracts of the Unincorporated Joint Ventures. Hence, in respect of these Unincorporated Joint Ventures, certain adjustments/ disclosures required under the mandatory Accounting Standards as notified by the Government of India and the Companies' Act, 1956 have been made in the financial statements of the Company only to the extent of information available with the Company. Such information may pertain to the particulars relating to micro, small and medium enterprises, particulars of expenditure in foreign currency, particulars of earnings in foreign currency, particulars of CIF value of imports, transactions with related parties, details of leases, details of commitments and contingencies, information relating to valuation and consumption of stores, spares, capital stock and drilling tangibles, information relating to foreign exchange differences and details relating to fixed assets of the respective Unincorporated Joint Ventures.

c) Accounting policies not specifically referred to are otherwise consistent with generally accepted accounting principles followed by the Company.

B) Revenue Recognition :

(a) Sales are inclusive of VAT and net of Sales Return, Brokerage etc. if any.

(b) Company's share of revenue from Joint Ventures is taken and considered on the basis of Accounts submitted by Joint Ventures.

C) Fixed Assets and Depreciation:

a) Fixed Assets are stated at cost of acquisition less accumulated depreciation. All costs, including financing cost till commencement of commercial production are capitalised/ to be capitalised.

b) Depreciation on the assets of the Company (except Leasehold Land and assets under installation/construction) has been provided on Straight Line Method at the rates and in the manner specified in the amended Schedule XIV to the Companies Act, 1956.

c) Depreciation on the assets of the subsidiary company are provided on written down value method at the rates and in the manner prescribed in Schedule -XIV to the Companies Act, 1956.

- d) In case of Subsidiary companies No depreciation has been provided in the accounts of Joint Ventures, however the depreciation has been provided for on the fixed assets in the Joint Ventures in respect of its participating interest
- e) Assets of Subsidiary companies which are individually costing less than or equal to Rs.5000 are fully depreciated during the year.
- D) Investments : Investments are stated at cost and have been considered as long term investments. The Investments at the close of the year are as certified by the management. The said Investments are subject to physical verification.
- E) Development Costs :
- (i) Cost of temporary occupation of land, successful exploratory wells, appraisal wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenditure. These expenses are capitalized as producing properties on attainment of commercial production.
- (ii) Producing properties, including the cost incurred on dry/abandoned wells in development areas, are depleted using "Unit of Production" method based on estimated proved developed reserves. Any changes in Reserves and/or Cost are dealt with prospectively from the beginning of the year of such change. Hydrocarbon reserves are estimated and/or approved by the Management Committees of the Unincorporated Joint Ventures, which follow the International Reservoir Engineering Principles.
- F) Foreign Currency Transactions:
- (i) Transactions denominated in foreign currencies are recorded as per the Profit Sharing Contract entered into with the Central Government.
- (ii) Exchange differences, both realized and unrealized, arising on reporting of long term foreign currency monetary items (as defined in the Accounting Standard-11 notified by the Government of India) relating to the acquisition of a depreciable capital asset are added to/deducted from the cost of the asset and in other cases unrealized exchange differences are recognized in the Profit & Loss Account.
- G) Oil and Gas Assets
- The Company follows "Full Cost" method of accounting for oil and gas assets as set out by the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI) on "Accounting for Oil and Gas Producing Activities". All the fields in the country are treated to be in a single cost centre.
- H) Depletion
- Expenditure on producing properties is depleted within each cost centre on a unit of production basis, based on proved and probable reserves.

2.

1. Description of the business

Heramec Limited – IPO (the "Company") is the Indian Project Office of Heramec Limited (incorporated in the Commonwealth of the Bahamas) and the IPO is registered at Hyderabad, India. The Company has exploration and production interests in Oil and Gas business and has entered into unincorporated joint ventures for development and production of hydrocarbons in India.

2. Interest in Joint Ventures

The Indian Project office's current producing and active Exploration & Development activities relate to the following Fields:

AS AN OPERATOR(4 FIELDS)

- ❖ Allora Field

AS A NON OPERATOR (4 FIELDS)

- ❖ Unawa Field

- ❖ Dholasan Field
- ❖ Kanawara Field
- ❖ North Kathana Field
- ❖ North Balol Field
- ❖ CB-ONN-2004/1
- ❖ CB-ONN-2004/4

3. Capital Commitment

Estimated amount of Contracts remaining to be executed on capital account and not provided for:

- i) In respect of Company - Rs. Nil
- ii) In respect of Joint Ventures – Rs. Nil

4. Information Under Schedule VI to the Companies Act, 1956

A. Sales

Sales revenue in respect of Crude Oil is based on the transfer of custody of Crude produced at the pre-agreed price in accordance with COSA (Crude OilSales Agreement) for the period from 01.04.2009 to 31.03.2010. Out of the total supply 70% of the supplies were realized and the balance amount of 30% of the supplies is pending realization subject to compliance with quality standards.

Sales revenue in respect of Natural Gas is on the basis of price agreed as per the Gas Sale & Purchase agreements entered into with the buyers.

Product	Unit of Measurement	2009 – 10	
		Quantity	Value (Rs. In Lakhs)
Crude Oil	MBBL	6.066	160.59
Natural Gas	MM3	5485.858	366.49
Sludge Oil	MM3	0.646	91.05

B. PURCHASES

Product	Unit of Measurement	2009 – 10	
		Quantity	Value (Rs. In Lakhs)
Crude Oil	MBBL	Nil	Nil
Natural Gas	MM3	Nil	Nil
Sludge Oil	Ltr	12915	15.95

C. OPENING AND CLOSING STOCK OF GOODS PRODUCED

Product	Unit of Measure	As at 31 st March, 2010	
		Quantity	Value (Rs. In Lakhs)
Opening Stock:			
Crude Oil	MBBLs	0.48	11.46
Natural Gas	MM3	-	-
Sludge Oil	MM3	-	-
Closing Stock:			
Crude Oil	MBBLs	0.41	14.58
Natural Gas	MM3	-	-
Sludge Oil	Ltr	12915	15.95

D. LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

Product	Unit of Measure	2009 – 10	
		Installed Capacity PA	Actual Production Quantity
Crude Oil	MBBLs	NA	7.03
Natural Gas	MM3	NA	5485.86
Sludge Oil	MM3	NA	-

Note:

1. Licensed / Installed Capacities not applicable for the above products
2. Production includes internal consumption and intermediary losses

E. RAW MATERIAL CONSUMED

Product	Unit of Measure	2009 – 10	
		Quantity	Value at Cost (Rs. In Lakhs)
Out of own production:			
Crude Oil			
Natural Gas	MBBLs	-	-
Sludge Oil	MM3	-	-
Others (Specify):	MM3	-	-
PURCHASES:			
Crude Oil			
Natural Gas			
Sludge Oil	MBBLs	Nil	Nil
Others (Specify):	MM3		
	MM3		

F. CONSUMPTION OF MATERIALS, SERVICES, STORES & SPARE PARTS

Product	Rs. In Lakhs	
	2009 – 10	
	Amount	%
Imported	-	-
Indigenous	-	-
Total	-	-

G. VALUE OF IMPORTS ON CIF BASIS

Particulars	Rs. In Lakhs
	2009 – 10
Capital Items (including services)	-
Stores & Spares	-
Total	-

H. EXPENDITURE IN FOREIGN CURRENCY

Particulars	Rs. In Lakhs
	2009 – 10
Interest	-
Services	4.17
Others	-
Total	4.17

I. EARNINGS IN FOREIGN CURRENCY

Particulars	Rs. In Lakhs
	2009 – 10
Services	-
FOB Value of Sales	-
Others	-
Total	-

5. Related Party Disclosures:

- a. Names of related parties and description of relationship:

(i)	Holding Company	Gujarat Natural Resources Ltd
(ii)	Subsidiaries	Sigma Oil & Gas Private Ltd
(ii)	Associates	1. Hermac Limited 2. Leshia Industries Ltd 3. Shree Ghantakarna Rolling Mills Pvt. Ltd.

(iii)	Key Management Personnel / Directors	<ol style="list-style-type: none"> 1. Ashok C. Shah 2. Shalin A. Shah 3. Malav Mehta 4. Ilesh Shah
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b. Transaction for the year ended March 31, 2010 :

Particulars	FY 2009-10 Rs.
Purchases/Services	
1.Holding Company	55,37,292
2.Associates	-
3.Key Management Personnel	-
4.Enterprises where Key Managerial Personnel exercise significant influence.	-
SALES	
1.Holding Company	-
2.Subsidiary	-
3.Associates	-
4.Key Management Personnel	-
Advances taken:	
1.Holding Company	-
2.Subsidiary	-
3.Associates	-
4.Enterprises where Key Managerial Personnel exercise significant influence.	--
5. Key Management Personnel / Directors	3,10,00,000
Other Income:	
1.Subsidiary	-
2.Enterprises where Key Managerial Personnel exercise significant influence.	-
Advances given :	
1. Associates	8,35,10,461
2. Key Management Personnel	-
3. Enterprises where key managerial personnel exercise significant influence.	-
Remuneration:	
1. Key Management Personnel	69,67,100
Expenditure (Rent) :	
1. Subsidiary	-
2. Enterprises where Key Managerial Personnel exercise significant influence.	-
3. Key Managerial personnel.	-
Outstanding balance as at the Year end	
1. Amounts Payable	
a)Subsidiaries	-
b)Associates	1,12,61,961
c)Enterprises Where Key Managerial Personnel exercise significant influence.	
d) Key Management Personnel / Directors	3,10,00,000
2. Amounts Receivable	
a)subsidiary	-
b)Associates	-
c)Key Management Personnel exercise significant influence	-

6. Loans and Advances:

Loans and advances and current liabilities include Heramec's share of the respective balances of the "Unincorporated Joint Ventures" in the proportion of its participating interest.

7. JV accounts of CB ONN 2004/01 and CB ONN 2004/04

The company has not received the Joint Venture accounts of CB ONN 2004/01 and CB ONN 2004/4 from the JV Partner, ONGC. In the absence of the same, the financial results of these JV accounts could not be considered for accounting purposes at the Company level.

8. Contingent Liabilities:

- a. Bank Guarantees given in favour of Director General of Hydrocarbon, (DGH) New Delhi, India by the company and outstanding as on March 31, 2010 amounting to USD 7,44,062.50 equivalent to Rs. 3,57,15,000/- (Previous year: US Dollars 10,50,647.09 equivalent to Rs. 5,35,72,495/-). This guarantee represents the share of Heramec Ltd in respect of the total estimated annual expenditure as per Approved Work Program in the contract area during the development phase of the existing discoveries.
- b. The company's Indian Project Office has given a corporate guarantee to a local Bank (Axis Bank Ltd) for INR Rs. 400 Lakhs equivalent to USD 7,84,468 (Previous year : Rs. 450 Lakhs equivalent to USD 8,82,526) towards Facilities for Bank Guarantees and Cash Credit sanctioned to the Company.

Sl.No:	Particulars of Disclosure	Rs. in lakhs	
		Amount of Contingent Liability	
		In USD	In INR
1	Balance as at April 1, 2009	8,82,526	450
2	Additions during the year	-	-
3	Less: Reduction during the year	98,058	50
4	Balance as at March 31, 2010	7,84,468	400

9. Vendor and Customer balances:

All vendor and customer balances are subject to confirmation and reconciliations, if any.

3. The scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 (the scheme) to transfer Steel Division on a going concern basis to its M/s. Lasha Industries Limited w.e.f. 1st April, 2009, the appointed date has become effective on 4th February, 2010, on getting requisite approvals and completion of necessary formalities.

In terms of the Scheme, the shareholders of the Company will receive 1 (one) equity share of M/s. Lasha Industries Limited of the face value of rs. 10/- each, credited as fully paid up for every 2 (two) fully paid up equity share of the Company held on 26th February, 2010, the record date to be fixed for the purpose.

Consequent to vesting of the Steel Division of the Company in terms of the Scheme, the financial statements of the company for the year ended 31st March, 2010, do not include the operations of the Steel Division for the period of twelve months from 1st April, 2009 to 31st March, 2010, and are therefore strictly not comparable with the figure of the previous year ended 31st March, 2009.

4. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable with the current year's figures.
5. The Company is yet to receive Rs. 80215/- from some of the collecting bankers which have been debited to public issue money recovery account in the books of account.

6. Managerial Remunerations:	Current Year Rs.
1) Managing Director	

a) Remuneration	69,67,100

	69,67,100

7. Payment to Auditors

Audit Fees 5,000

- 8 a) Wherever the vouchers / bills etc. have not been adequately supported or are missing, the Management has certified that the transactions under question are genuine transactions. The Auditors have accepted such certification of the management.
- b) In the opinion of the Directors, Current Assets, Loans and Advances are approximately of the value if realised in the ordinary course of business and all known liabilities have been fully provided for unless otherwise specified in this Schedule
- c) In the opinion of the Directors, no personal expenses have been debited in the books of account.

9. **Segment Accounting:**

The Company now predominantly operates in a single segment namely "Oil & Gas" and is primary basis for segment information which as per Accounting Standards 17 is considered as the only reportable business segment.

10. **Deferred Tax :**

In accordance with accounting standard 22 "Accounting for taxes on income" issued by the institute of chartered accountants of India, which has become mandatory from 1st April, 2001.

Since, the company has carried forward unabsorbed depreciation of negligible amount And current year difference of depreciation between income tax method and company Law method, being also negligible, deferred tax assets as on 31st March' 2010 has not been recognized.

As per our attached Report
of even date.
For and on behalf of
NAIMISH K. SHAH & CO.
Firm Registration No. : 106828W
Chartered Accountants

ASHOK C. SHAH
[CHAIRMAN]

SHALIN A. SHAH
[MANAGING DIRECTOR]

(N.K.SHAH)
PROPRIETOR
M. No. : 31147

Place : Ahmedabad.
Date : 04.09.2010

Place : Ahmedabad.
Date : 04.09.2010

BALANCESHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No. : 16158 State Code : 04
Balance Sheet Date : 31.03.2010

II. Capital raised during the year

Public Issue : -- Right Issue : --
Bonus Issue : -- Private Placement : --

III. **Position of Mobilisation and Deployment of Funds (Rs. in '000)**

Total Liabilities : 995129.61 Total Assets : 995129.61

Sources of Funds

Application of Funds

Paid up Capital	: 327105.22	Net Fixed Assets	: 780922.25
Share App. Money	: --	Investments	: 187550.00
Reserves & Surplus	: 178837.65	Net Current Assets	: (58795.02)
Secured Loans	: 4977.92	Misc Expenditure	: 24702.00
Unsecured Loans	: 468629.01	Accumulated Loss	: 43223.75
Deferred Tax Liabilities	: 15579.81		

IV

Performance of Company

Turnover Total	: 92484.253	Expenditure	: 91619.914
Profit/(Loss) before Tax	: 554.286	Profit/(Loss) after Tax	: 1494.348
Earning per Share is Rs.	: 0.06	Dividend Rate %	: --

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)
Product Description

i) Oil & Gas Sector

As per our attached Report of even date.

For and on behalf of
NAIMISH K. SHAH & CO.
Firm Registration No. : 106828W
Chartered Accountants

ASHOK C. SHAH
[CHAIRMAN]

SHALIN A. SHAH
[MANAGING DIRECTOR]

(N.K.SHAH)
PROPRIETOR
M. No. : 31147

Place : Ahmedabad.
Date : 04.09.2010

Place : Ahmedabad.
Date : 04.09.2010

ATTENDANCE SLIP

Name of the attending Member/Proxy : _____

Member's Folio No./Client ID : _____

No. of Shares held : _____

I/We hereby record my/our presence at the 18th Annual General Meeting held on 30th September 2010 at 8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway, Ahmedabad – 59. at 10.00 a.m.

Signature of the Attending Member/Proxy

- Notes : 1. Share holder/Proxy holder wishing to attend the meeting must bring the attendance slip to the Meeting and hand it over at the entrance duly signed.
2. Share holder/Proxy holder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting

-----Tear Here-----

GUJARAT NATURAL RESOURCES LIMITED
Regd.Office: 8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway, Ahmedabad – 59.

PROXY FORM,

I/We _____ of _____ in the district of _____ being a member/members of the Company, hereby appoint _____ of _____ in failing him/her _____ of _____ as my/our Proxy to attend and vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 30th September, 2010 at 10.00 a.m. or any adjournment thereof.

Signed this ____ day of ____ 2010.

Affix Signature Revenue

Reference Folio No. _____

This form is to be used in favour of/against* the resolution. Unless otherwise introduced, the Proxy will act as he thinks fit.

* Strike out whichever is not desired.

BOOK - POST

To,

If undelivered please return to :

GUJARAT NATURAL RESOURCES LIMITED

8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway,
Ahmedabad 380 059.