

HARIBHAKTI & CO.,
Chartered Accountants
42, Free Press House,
215, Nariman Point,
Mumbai – 400 021

ROWE & PAL,
Chartered Accountants
“Ram Bhawan”,,
373-A/2, Stoney Road,
Dagarpada, Cuttack-2

To
The Board of Directors,
North Eastern Electricity Supply Company of Orissa Ltd.
Plot No. 123, Sector – A, Zone – A,
Mancheswar Industrial Estate,
Bhubaneswar – 751 010.

We have audited the attached Balance Sheet of North Eastern Electricity Supply Company of Orissa Ltd. as at 31st March, 2008 and the Profit and Loss Account of the Company 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 on our audit.

The audit has been conducted with limited purpose of certification of accounts as per license conditions prescribed by ORISSA ELECTRICITY REGULATORY COMMISSION (OERC) and 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 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 the Company is governed by the Electricity Act, 2003, the provisions of that Act have prevailed, wherever the provisions of the Companies Act, 1956 are inconsistent with the said Electricity Act, 2003.

On the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement in **Annexure-1** on certain matters in line with those specified in paragraphs 4 and 5 of the Companies (Auditor’s Report) Order, 2003 read with Companies (Auditor’s Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956.

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Further to our comments in the Annexure-1 referred to above, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion proper books of account as required by the law have been kept by the Company so far as it appears from our examination of such books;
- (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with this Report are prepared in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, in so far as they apply to the Company;
- (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a Director in terms of clause (g) of subsection (1) of Section 274 of the Companies Act, 1956.
- (f)(i) Refer to Note No. A.2 of Schedule – 19, Delayed Payment Surcharge (DPS) collected and Note No. A 10 of Schedule-19, interest on security deposit paid is accounted for on cash basis.
- (ii) Refer to Note No. B.2.a of Schedule 19 regarding preparation of the accounts of the Company on a “Going Concern” assumption even though the Company’s net worth is fully eroded, due to the reasons stated therein which according to our opinion are considered appropriate at present.
- (iii) *Refer to Note B.5(ii) and 7.2 of Schedule-19 wherein*
Comments of Haribhakti & Co., Chartered Accountants

We are unable to express any opinion, regarding disputes with GRIDCO relating to debits to its account for higher provision for doubtful debts amounting to Rs.31.68 crore and higher actuarial liabilities towards retirement benefits amounting to Rs.98.40 crore, as of 31st March, 1999 and remaining still unsorted and considered for

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preparation of accounts, which may have impact on the amounts receivable from / payable to GRIDCO as of 31st March, 1999.

Comments of Rowe & Pal, Chartered Accountants

Opening Balances brought forward from previous year ended on 31st March 1999 include excess provision for bad and doubtful debts and excess provision for Pension, Gratuity and Leave encashment etc. of Rs.31.68 crores (Rs.27.14 crores as per C&AG) and Rs.98.40 crores respectively, over liability ascertained by GRIDCO in accordance with Transfer Scheme Notification with a consequential over statement of receivables from GRIDCO were subject matters of adverse comments by C&AG in their report under section 619(4) of the Companies Act, 1956 for the year 1998-99. The aforesaid opening balances continue to remain overstated.

- (iv) Refer to Note No.B.5 (iii)(c) of Schedule-19, in the absence of detailed analysis of individual non-government LT consumers and keeping in view subsequent collection pattern against such debts, further provisions, if any, required against portion of these debts disclosed under “Other Debts”, as good debts, not ascertainable.
- (v) *Refer to Note No.B.1 of Schedule-19 relating to accounting / disclosure carried out as per specific guidelines prescribed by OERC for certification of accounts for the year ended 31st March 2008 and deviation made thereof.*
- (vi) Refer note no.B.6 of Schedule 19 regarding investment not made in accordance with Clause IV (2) of the Sixth Schedule of the Electricity Act, 2003.
- (vii) Refer to Note no. B.9 of Schedule – 19 for Power Bond wherein GRIDCO has not agreed to the payment/ adjustment effected by the Company in respect of Power Bonds on the ground that redemption of Power Bonds by way of adjustment is not in terms of the Subscription Agreement dated 25th September, 2001 and Bond Certificates. Resultantly, there is over/under statement of “Payable/ Receivable- Bond and other Adjustment with GRIDCO” to that extent.
- (viii) In absence of adequate details of Opening Balances as on 01-04-1999 with regard to “sundry debits and credits”, the same remain unconfirmed.

The effect, on the Company’s Profit for the year / and on the corresponding debit balance appearing as Profit & Loss Account and corresponding other items of

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Balance Sheet, arising out of comments given under (f) (iv) to (viii) above are not presently ascertainable.

- (g) *As mentioned in Note B.8 of Schedule-19 forming part of the accounts, the Company has provided for contingencies amounting to Rs.7.43 crore.*
- (h) *Subject to our observations under (f) & (g) above, in our opinion and to the best of our information and according to explanations given to us, the said accounts read together with the accounting policies and other notes appearing in the Schedule including other disclosures on opening balances, 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:*
- i. *in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2008 and*
 - ii. *in the case of the Profit and Loss Account, of the Profit of the Company for the period ended on that date.*

For Haribhakti & Co.,
Chartered Accountants

For Rowe & Pal
Chartered Accountants

Sd/-
(Hemant Bhatt)
Partner

Sd/-
(Ashok Chinchela)
Partner

Place : Bhubaneswar
Date : 17th day of September 2008 .

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ANNEXURE-I TO AUDITOR'S REPORT

(To the Board of Directors of North Eastern Electricity Supply Company of Orissa Ltd.)
(Statement referred in Paragraph 4 of our report of even date)

- (i) (a) The company has maintained fixed assets register upto 31-03-2006 showing particulars including quantitative details and situation of fixed assets. The updating till 31-03-2008 is in process. The legal formalities for transfer of ownership of freehold and leasehold land and land rights are yet to be completed.
- (b) As informed to us, the Company has carried out physical verification of the fixed assets during the year. The discrepancies if any, will be ascertained on the updation of the Fixed Asset Register till 31.03.2008.
- (c) The company has not disposed off substantial part of the Fixed Assets during the year and the going concern status of the company is not affected.
- (ii) (a) The inventory has been physically verified during the year by the external agency being Chartered Accountant firms as per the appointments made by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by such external agency are 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. As informed, no material discrepancies were noticed on such physical verification as compared to book records.
- (iii) (a) The Company has not granted any loan secured or unsecured to the Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b) to (d) of the Order are not applicable.
- e) The Company has taken loan secured or unsecured from the Companies, Firms or other parties listed in the register under section 301 of the Companies Act, 1956. The number of party is one being GRIDCO and the amount involved is Rs.296.59 crore.

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- (f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from GRIDCO are not, prima-facie, prejudicial to the interest of the Company.
- (g) The company was not regular in repaying the principal amounts and has not been regular in the payment of interest. However we have been informed that the Company is in the process of restructuring some of the loans as per the approval of the OERC.
- (iv) In our opinion and according to information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 for purchase of goods, materials, services and purchase of energy have been entered into the register required to be maintained under that section and have been made at prices which are reasonable having regard to the prevailing market prices at which transactions for similar goods etc., have been made with other parties and energy purchases being done on the basis of Bulk Supply Tariff rates determined by Orissa Electricity Regulatory Commission.
- (vi) The company has not accepted any deposits from the public during the year.
- (vii) The Company has appointed independent chartered accountant firms for the purpose of internal audit. The terms of reference and scope of work to such internal auditors, in our opinion, are adequate and commensurate with the size and nature of the business of the Company.
- (viii) The Company has generally maintained cost records as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 vide Govt. Notification No. G.S.R. 913 (E) dated 21st December 2001, which we have broadly reviewed. Further, as per Notification No.52/53/CAB-2008 4th February 2008, issued

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by the Ministry of Corporate Affairs, the Company is subject to cost audit during the year for which the cost audit report is awaited.

- (ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, income tax, sales tax and other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforementioned dues were in arrears as at 31st March 2008 for a period of more than six months from the date they became payable. However, in the absence of detailed break up of opening outstanding liabilities transferred under transfer scheme, we are unable to make any comment whether any undisputed amounts payable in respect of Statutory dues were outstanding as at the last day of the accounting year for more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues of income tax, sales tax, which have not been deposited on account of any dispute. However, the particulars of dues of sales tax, income tax at the last day of the financial year which have not been deposited on account of dispute as per the records of the company and information & explanations given to us are as follows:

Sl. No.	Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
1.	Orissa sales tax	Entry Tax	23976	2000-01	Sales Tax Commissioner
2.	Orissa sales tax	Entry Tax	62255	1989-90	Asst. Sales Tax Commissioner
3.	EPF & MP Act, 1952	PF	584847	1991-92	Appellate Tribunal for PF

- (x) In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has cash profit during the financial year covered by our audit and cash profit in the immediately preceding financial year. The cash profit mentioned hereinabove are without taking into consideration the effect of the qualification contained in the audit report.

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- (xi) In our opinion and according to the information and explanation given to us, the company has no outstanding dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund / society and therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions and therefore, the provisions of clause of 4(xv) of the Order are not applicable.
- (xvi) Based on the information and explanations given to us by the management, the Company has taken term loan from Rural Electrification Corporation amounting to Rs.0.69 crores and the amount has been utilized for the purpose for which it was taken.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the funds on short-term basis have not been prima facie used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company had not issued any debentures and therefore the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money through a public issue during the year.

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- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For Haribhakti & Co.,
Chartered Accountants,**

Sd/-
(Hemant Bhatt)
Partner

**For Rowe & Pal,
Chartered Accountants,**

Sd/-
(Ashok Chinchela)
Partner

Place: Bhubaneswar.

Date: 17th day of September 2008.

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008.

	Schedule	As at 31-03-08 Rupees	As at 31-03-07 Rupees
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	659,100,000	659,100,000
Reserves and Surplus	2	620,317,583	592,773,618
Loan Funds			
Secured Loans	3	4,056,790,198	4,420,630,086
Other Funds			
Consumers' Security Deposits		1,688,918,663	1,283,061,674
Capital Contribution from Consumers	4	1,640,969,302	1,309,391,319
		<u>8,666,095,746</u>	<u>8,264,956,697</u>
II. APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	5,457,402,976	5,132,483,282
Less : Accumulated Depreciation		<u>1,855,124,914</u>	<u>1,656,506,562</u>
Net Block		3,602,278,062	3,475,976,720
Capital Work in Progress	6	515,805,284	426,983,181
Current Assets, Loans and Advances			
Sundry Debtors	7	1,401,271,974	1,479,483,640
Inventories	8	30,572,353	25,220,555
Cash and Bank Balances	9	1,973,039,836	1,064,455,007
Loans and Advances	10	491,357,816	429,908,969
		<u>3,896,241,979</u>	<u>2,999,068,171</u>
Less : Current Liabilities and Provisions	11		
Current Liabilities		3,915,457,030	3,826,716,560
Provisions		<u>1,671,265,458</u>	<u>1,270,593,816</u>
		<u>5,586,722,488</u>	<u>5,097,310,376</u>
Net Current Assets		(1,690,480,509)	(2,098,242,205)
Profit and Loss Account Debit Balance		6,238,492,909	6,460,239,001
		<u>8,666,095,746</u>	<u>8,264,956,697</u>

Accounting Policies and Notes to Accounts 19

Schedules 1 to 19 form an integral part of the Accounts

Sd/-
Company Secretary

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Managing Director

In terms of our report of even date

For Haribhakti & Co.
Chartered Accountants

For Rowe & Pal
Chartered Accountants

Sd/-
(Hemant Bhatt)
Partner

Sd/-
(Ashok Chinchela)
Partner

Place : Bhubaneswar

Date : 17th September 2008

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008.

	Schedule	Rupees	For the year ended 31-03-08 Rupees	For the year ended 31-03-07 Rupees
INCOME				
Revenue from Sale of Power	12		8,963,732,912	7,296,569,738
Other Income	13		554,324,238	300,291,867
			<u>9,518,057,150</u>	<u>7,596,861,605</u>
EXPENDITURE				
Purchase of Power	14		6,842,768,009	4,667,252,252
Operation Maintenance, Administration General and Other expenses	15		1,943,127,822	2,404,113,116
Depreciation		198,618,352		185,719,333
Less : Transfer from service line contributions		<u>37,632,783</u>		<u>302,315</u>
			<u>160,985,569</u>	<u>185,417,018</u>
			<u>8,946,881,400</u>	<u>7,256,782,386</u>
Profit / (Loss) before interest & finance charges			571,175,750	340,079,219
Interest & Finance Charges	16	215,078,590		211,937,248
Less : Transferred to Capital Work in Progress		<u>276,411</u>		<u>10,095,991</u>
			214,802,179	201,841,257
Profit / (Loss) before Taxation			356,373,571	138,237,962
Provision for :				
Fringe Benefit Tax			2,705,816	2,756,139
Profit / (Loss) for the year			353,667,755	135,481,823
Net Prior Period (credit) / charges	17		(1,687,061)	(2,919,508)
Statutory reserves and Appropriations	18		27,543,965	17,918,658
Loss Brought forward from last year			6,460,239,001	6,580,721,674
Charge on account of Transitional Provisions under Accounting Standard 15 (Revised)			106,064,759	
Loss for the year carried to Balance Sheet			6,238,492,909	6,460,239,001

Accounting Policies and Notes to Accounts 19
Schedules 1 to 19 form an integral part of the Accounts

Sd/-	Sd/-	Sd/-	Sd/-
Company Secretary	Chief Executive Officer	Director	Managing Director

In terms of our report of even date

For Haribhakti & Co.
Chartered Accountants

For Rowe & Pal
Chartered Accountants

Sd/-
(Hemant Bhatt)
Partner

Sd/-
(Ashok Chinchela)
Partner

Place : Bhubaneswar

Date : 17th September 2008

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE 1 - SHARE CAPITAL

	As at 31-03-2008	As at 31-3-2007
	Rupees	Rupees
(a) Authorised -	659,100,000	659,100,000
6,59,10,000 (6,59,10,000) Equity shares of Rupees 10/- each	<u>659,100,000</u>	<u>659,100,000</u>
(b) Issued, Subscribed and Paid-up -	659,100,000	659,100,000
6,59,10,000 (6,59,10,000) Equity shares of Rupees 10/- each fully paid		
(6,59,09,993 shares were allotted as fully paid up for consideration other than cash in pursuance to the provisions under Transfer Scheme Notification No.1523 dated 25/11/1998.		
	<u>659,100,000</u>	<u>659,100,000</u>

Schedule -2 Reserves and Surplus

	As at 31-03-2008	As at 31-3-2007
	Rupees	Rupees
1. Contingencies Reserve		
Opening balance as per last account	99,589,286	81,670,628
Add - Transfer from Profit and Loss Account	<u>27,543,965</u>	<u>17,918,658</u>
	127,133,251	99,589,286
2. Other Reserves -		
Capital Subsidy		
Opening balance as per last account	493,172,046	493,172,046
Additions during the year	<u>-</u>	<u>-</u>
	493,172,046	493,172,046
3. Staff Welfare Fund	12,286	12,286
	<u>620,317,583</u>	<u>592,773,618</u>

Schedule -3 Secured Loans

	As at 31-03-2008	As at 31-3-2007
	Rupees	Rupees
1. Loan from Govt. of Orissa (A/c - IBRD)	912,755,901	912,755,901
2. Loan from GRIDCO		
(i) GRIDCO Loan	757,133,498	851,775,187
Add - Interest accrued and due	<u>328,361,987</u>	<u>369,407,235</u>
	1,085,495,485	1,221,182,422
(ii) Securitisation of BST Dues	<u>1,880,354,812</u>	<u>2,115,399,163</u>
	2,965,850,297	3,336,581,585
3. Loan from Govt. of Orissa (A/c - APDRP)	63,650,000	63,650,000
4. Loan from Rural Electrification Corporation Ltd.	114,534,000	107,642,600
	<u>4,056,790,198</u>	<u>4,420,630,086</u>

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Security :

1. Loan from Govt. of Orissa (A/c-IBRD) is secured by way of First and Paramount Charge over the Fixed Assets created out of the loan funds and paripassu floating charge with GRIDCO over the receivables of the Company.

2(i) Loan from GRIDCO is secured by way of First and Paramount Charge over all the receivables of the Company.

2(ii). BST Dues excluding DPS as on 31-03-2005 is being securitised as per Order of OERC dated 28-02-2005 at 0% interest per annum payable to GRIDCO alongwith Loan from GRIDCO as on 31-03-2005.

3. Loan from Govt. of Orissa (A/c-APDRP) is secured by way of hypothecation of the assets to be created out of the loan funds.

4. Loan from Rural Electrification Corporation Limited (A/c-APDRP) is secured by way of hypothecation of all future movable and stocks to be created out of REC Loan Amount and also the assets created out of Govt. grant component.

Schedule -4 Capital Contribution from Consumers.

	As at 31-03-2008	As at 31-3-2007
	Rupees	Rupees
Opening balance as per last account	1,309,391,319	1,103,193,588
Add: Contribution received during the year	369,210,766	206,500,046
Less : Transferred to Profit & Loss Account	37,632,783	302,315
	<u>1,640,969,302</u>	<u>1,309,391,319</u>
	<u>1,640,969,302</u>	<u>1,309,391,319</u>

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Schedule -6 Capital work in Progress	Rupees	As at 31-03-2008 Rupees	As at 31-3-2007 Rupees
Lines Cables and Network	377,548,148		243,836,093
Capital store /Stock	106,801,573		148,903,012
Advance for Capital Goods	<u>3,225,210</u>		<u>1,622,636</u>
		487,574,931	394,361,741
Expenditure during the Construction Period			
Interest	25,692,109		27,744,813
Employees Cost	<u>2,538,244</u>		<u>4,876,627</u>
		28,230,353	32,621,440
		<u>515,805,284</u>	<u>426,983,181</u>
		As at 31-03-2008	As at 31-3-2007
		Rupees	Rupees
Schedule -7 Sundry Debtors [Refer Note B. 5 (i)]			
Debts outstanding for period exceeding 6 months			
Unsecured - Considered good	597,443,789		599,401,399
Considered Doubtful	<u>4,537,705,852</u>		<u>4,115,799,005</u>
	5,135,149,641		4,715,200,404
Less : Provision for Doubtful Debts	<u>4,537,705,852</u>		<u>4,115,799,005</u>
	597,443,789		599,401,399
Other Debts			
Unsecured ,Considered good	<u>803,828,185</u>		880,082,241
		<u>1,401,271,974</u>	<u>1,479,483,640</u>

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Schedule-8 :Inventories	As at 31-03-2008 Rupees	As at 31-3-2007 Rupees
O & M Stores and Spares - (As certified and valued by the management)	30,572,353	25,220,555
	<u>30,572,353</u>	<u>25,220,555</u>
Schedule-9 :Cash and Bank Balances	As at 31-03-2008 Rupees	As at 31-3-2007 Rupees
Cash in hand - (As certified by the management)	53,019,868	17,495,910
Stamps in hand	8,837	8,177
Balances with Scheduled Banks :		
in Current Account	523,715,041	343,196,641
in Fixed Deposit Account	<u>1,274,520,327</u>	<u>675,577,192</u>
	1,798,235,368	1,018,773,833
Remittances in transit	<u>121,775,763</u>	<u>28,177,087</u>
	<u>1,973,039,836</u>	<u>1,064,455,007</u>
Schedule-10 :Loans and Advances	As at 31-03-2008 Rupees	As at 31-3-2007 Rupees
Loans and Advances to employees	14,459,656	10,200,326
<u>Amount receivable from other Licencee - GRIDCO</u>		
Receivable on account of Pension,Gratuity and Leave	925,450,000	925,450,000
Less - Received during the year	-	-
Balance receivable	925,450,000	925,450,000
Less - Payable to Trust as <i>per contra</i>	<u>925,450,000</u>	<u>925,450,000</u>
{Schedule - 11(B)}	-	-
Receivables on other account	<u>195,405,896</u>	<u>195,405,896</u>
	195,405,896	195,405,896
Amount receivable from other Licencee - SOUTHCO	56,263,511	55,798,905
Advances recoverable in cash or in kind or for value to be received	204,283,417	149,125,418
Capital Subsidy / Grant Receivable	18,230,886	18,230,886
Other Deposits	<u>2,714,450</u>	<u>1,147,538</u>
	<u>491,357,816</u>	<u>429,908,969</u>

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Schedule-11 :Current Liabilities & provisions	As at 31-03-2008 Rupees	As at 31-3-2007 Rupees
A) Current Liabilities:		
<u>Sundry Creditors</u>		
For Power Purchased	1,520,066,464	1,348,798,668
For Goods and Services:		
Amount due to Micro & Small Industries (Refer Note-B.14)	-	-
Amount due to others	<u>86,275,890</u>	<u>104,709,312</u>
	1,606,342,354	1,453,507,980
<u>Acceptances</u>		
Deposits and Retention from suppliers / Contractors		
On Capital Account	1,388,891	1,153,533
Others	<u>4,835,422</u>	<u>7,961,617</u>
	6,224,313	9,115,150
Advance payment /Deposits from Consumers		
On Capital Account	293,352,540	268,979,582
Others	<u>70,761,464</u>	<u>30,575,744</u>
	364,114,004	299,555,326
Creditors on Capital accounts	248,592,403	292,501,371
Amount payable to other Licencee - WESCO	1,976,041	2,057,878
Interest accrued but not due	627,009,366	500,540,090
Electricity Duty Payable	403,115,522	372,843,036
Other Liabilities	<u>658,083,027</u>	<u>896,595,729</u>
	<u>3,915,457,030</u>	<u>3,826,716,560</u>
B) Provisions		
Provision for Gratuity ,Pension,Leave etc		
Payable to Trust	1,961,014,366	1,574,480,248
Less - Paid during the year	-	-
Balance Payable	<u>1,961,014,366</u>	<u>1,574,480,248</u>
Less- Receivable from GRIDCO as per contra { Schedule - 10 }	<u>925,450,000</u>	<u>925,450,000</u>
	1,035,564,366	649,030,248
Provision for Contingencies (Refer Note B. 8)	635,701,092	621,563,568
	<u>1,671,265,458</u>	<u>1,270,593,816</u>

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Schedule 12 : Revenue from Sale of Power	For the year ended 31-03-2008		For the year ended 31-03-2007	
	Units		Units	
	Sold(MU)	Rupees	Sold(MU)	Rupees
<u>Distribution</u>				
Domestic	598.365	1,145,471,081	554.473	1,117,014,222
Commercial	73.904	414,108,953	88.441	346,929,287
Industrial Small	25.684	95,150,345	22.769	89,757,336
Industrial Medium	34.695	124,343,596	29.374	109,295,187
Industrial Large	1,208.098	4,018,171,091	847.594	2,815,946,912
Industrial Power Intensive	960.611	2,275,061,454	878.981	2,003,072,769
Public Lighting	7.407	23,704,613	6.132	23,308,392
Traction	155.222	578,813,267	133.746	519,499,540
Irrigation & Agricultural	41.719	51,492,732	40.827	51,387,304
Public Water Works & Sewerage Pumps	12.620	47,349,298	11.311	42,087,069
Supplies in Bulk to Control Station	19.047	42,581,273	22.727	51,375,247
Supplies in Bulk to Others	56.969	112,957,328	25.708	96,036,830
Public Institutions	9.436	34,527,881	8.094	30,859,643
	3,203.777	8,963,732,912	2,670.177	7,296,569,738

Schedule 13 : Other Revenues	For the year ended	For the year ended
	31-03-2008	31-03-2007
	Rupees	Rupees
Commission for the collection of Electricity Duty.	9,203,781	6,433,767
Meter Rent / Service Line Rental	47,808,560	49,111,326
Miscellaneous Charges	8,220,512	6,061,289
Subsidies against loss on account of flood, cyclone	-	25,000,000
Over Drawal Penalty	93,263,628	36,177,367
Delayed Payment charges	6,342,147	3,153,121
Miscellaneous Receipts including Rebate for Prompt Payment of BST Bill	389,485,610	174,354,997
	554,324,238	300,291,867

Schedule 14: Purchase of Power	Units	For the year ended	Units	For the year ended
	Purchased (MU)	31-03-2008	Purchased (MU)	31-03-2007
		Rupees		Rupees
Power Purchased	4,654.929	6,842,768,009	3,998.686	4,667,252,252
		6,842,768,009		4,667,252,252

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Schedule-15 : Operation, Maintenance, Administration and Other Expenses	For the year ended 31-03-2008 Rupees	For the year ended 31-03-2007 Rupees
Employee Costs		
Salaries, Wages, Allowances & Benefits	562,418,185	637,531,048
Contribution to provident and other funds	484,980,447	405,270,893
Staff Welfare Expenses	<u>7,075,359</u>	<u>3,724,764</u>
	1,054,473,991	1,046,526,705
Repairs & Maintenance		
Buildings	2,024,078	1,495,950
Plant & Machinery	59,731,874	63,713,532
Lines, Cables and Network Assets	64,830,546	66,248,401
Furniture, Fixtures & Office Equipment, Vehicles	<u>3,648,931</u>	<u>2,277,863</u>
	130,235,429	133,735,746
Administration & General Expenses		
Property Related Expenses	7,639,550	7,771,446
Communication	3,719,868	4,001,210
Conveyance & Travelling	27,079,196	27,856,304
Professional Charges	8,194,469	10,279,072
Other Expenses	50,559,973	50,847,563
Material Related Expenses	<u>1,421,864</u>	<u>659,032</u>
	98,614,920	101,414,627
Provision for doubtful debts	525,058,382	568,571,634
Provision for Contingencies (Refer Note : B-8)	74,287,453	509,765,410
Provision for inventories	5,630,652	4,052,825
Other expenses (Discount to Consumers)	<u>60,861,828</u>	<u>48,386,275</u>
	1,949,162,655	2,412,453,222
Less: Expenses Capitalised	<u>6,034,833</u>	<u>8,340,106</u>
	<u>1,943,127,822</u>	<u>2,404,113,116</u>

NORTH EASTERN ELECTRICITY SUPPLY COMPANY OF ORISSA LIMITED

Schedule-16: Interest and Finance Charges	For the year ended 31-03-2008 Rupees	For the year ended 31-03-2007 Rupees
Interest on Loan from Rural Electrification Corporation	13,353,680	5,532,798
Interest on Loan from Govt. of Orissa (A/c-APDRP)	7,648,463	7,638,000
Interest on Loan from Govt. of Orissa (A/c-IBRD)	<u>118,820,813</u>	<u>118,658,267</u>
	139,822,956	131,829,065
Less : Interest Capitalised	<u>276,411</u>	<u>10,095,991</u>
	139,546,545	121,733,074
Other Interest and Finance Charges	<u>75,255,634</u>	<u>80,108,183</u>
	<u><u>214,802,179</u></u>	<u><u>201,841,257</u></u>
Schedule -17: Net prior Period Credit / Charges	For the year ended 31-03-2008 Rupees	For the year ended 31-03-2007 Rupees
Income		
Receipt from consumer	-	1,412,350
Other excess provision	1,214,384	707,598
Other Income	<u>472,677</u>	<u>1,190,009</u>
Total	1,687,061	3,309,957
Expenses		
Employees Cost	-	7,015
Other Charges	-	383,434
Total	-	<u>390,449</u>
Net Prior period credit /(charges)	1,687,061	2,919,508
Schedule-18 : Statutory Reserve and appropriation	For the year ended 31-03-2008 Rupees	For the year ended 31-03-2007 Rupees
Contingency reserve	<u>27,543,965</u>	17,918,658
	<u><u>27,543,965</u></u>	<u><u>17,918,658</u></u>

SCHEDULE-19

NOTES FORMING PART OF THE ACCOUNTS

A) ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The Financial Statements are prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the prevailing Electricity Act and Regulations as well as those of the Companies Act, 1956 to the extent not inconsistent with prevailing Electricity Act and Regulations and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

2. Revenue Recognition

Revenue from power supply is accounted for on the basis of billing to consumers and is inclusive of electricity consumed, for which billing is not due. Where meters have stopped or are faulty or not installed, the bills are raised on consumers for such periods on the basis of average consumption. Discount allowed for timely payment has been adjusted against sales and shown separately. Delayed Payment Surcharge (DPS) is accounted for on cash basis.

3. Foreign Currency Transactions

Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at year-end rates.

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets acquired from outside India are recognised in the profit and loss account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is recognised in the profit and loss account over the period of the contract.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets from outside India prior to 1st April 2004 are adjusted in the carrying amount of such assets.

4. Fixed Assets

- (i) The gross block of Fixed Assets is stated at cost of acquisition or construction including any cost attributable to bringing the assets to their working condition for their intended use.

- (ii) Fixed assets whose actual costs cannot be accurately ascertained are initially capitalized on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.
- (iii) Employee cost is allocated to fixed assets / CWIP based on the employee cost attributable to respective fixed assets / CWIP.
- (iv) Fixed Assets created out of capital contributions, grants and subsidies are shown at their gross value.

5. Borrowing Costs

The Company capitalizes interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets in compliance with Accounting Standard-16 issued by the Institute of Chartered Accountants of India. Where specific borrowings are identified to a fixed asset, the Company uses the interest rates applicable to that specific borrowing as the capitalization rate. Where borrowings cannot be specifically identified to fixed assets, the capitalization rate applied is the weighted average of the interest rates applicable to all borrowings of the Company. Capitalization of borrowing cost ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete.

6. Depreciation

As per the provisions of the Companies Act 1956, depreciation is provided on 'Straight Line Method' based on the useful life of assets limited to 95% of the cost of the assets. The Company has determined the life of the plant and machinery relating to the distribution system/network and accordingly charged depreciation in the accounts of the Company. For other block of assets, depreciation is charged at the rates specified in Schedule–XIV of the Companies Act 1956. The depreciation for the year has been shown after reducing the proportion of the amount of depreciation provided on assets created out of the service line contributions, grants & subsidies.

7. Lease Transactions

Assets taken on lease being classified as either finance lease or operating lease, as the case may be in accordance with Accounting Standard-19 issued by the Institute of Chartered Accountants of India and accounting treatment and disclosure given / made as prescribed therein.

8. Inventories

Stores and Spares are valued at lower of weighted average cost & net realizable value. In case of unserviceable / damaged stores & spares, necessary provision is made & charged to revenue.

9. Employees' Benefits

- i) Short term employee benefits are recognized as an expense in the profit and loss account for the year in which the related service is rendered.
- ii) Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

10. Interest on Security Deposit

Interest on the Security Deposit of consumers is accounted on cash basis in accordance with the guidelines provided under OERC (Conditions of Supply) Code, 2004.

11. Prior Period Items of Expenses & Gains

Individual item of expenses & gain relating to the earlier period having a value of Rs 5.00 lakhs or more are considered as "prior period item" in the profit & loss account.

B) OTHER NOTES

1. In view of the specific guidelines prescribed by the Orissa Electricity Regulatory Commission for certification of accounts as of 31st March 2008, the following have been considered:
 - 1.1 Rebate allowed for timely payment has been adjusted against sales and shown separately for audited accounts under Companies Act,1956 as per accounting policy A (2) , where as the same is shown as cost and charged to profit & Loss Account.
 - 1.2 Capital contribution received from consumers have been treated as capital reserve in accordance with Electricity Supply (Annual Account) Rules,1985, where as the same has been shown as capital contribution from consumers under the head "Other Funds".
 - 1.3 Capital Grants received towards cost of capital assets has been treated as Capital reserve in accordance with Electricity Supply (Annual Account) Rules,1985 instead of reducing the grants from the gross value of assets concerned at its book value.

1.4 In the absence of details of work in progress ,capitalisation has been done on overall basis except World Bank funded projects.

2.a. The Company's operations commencing from 01.04.1999 have resulted in heavy losses turning the net worth as well as net current assets figures into negative mainly due to inadequate tariffs fixed by the OERC. The accounts for the period have been prepared on "Going Concern" basis. The Company has been seeking supports from OERC for financially viable tariff proposal and expecting cost based tariff and also amortization of regulatory assets in the coming year.

2.b. In accordance to direction of Hon'ble Appellate Tribunal for Electricity (ATE) vide their Order dated 13.12.2006 with respect to recognition of Regulatory Assets after Truing-up of expenses and incomes of previous years, the company filed submissions before Hon'ble Commission (OERC) which is yet to be disposed-off by OERC. Subsequently in the Retail Supply Tariff order for 2007-08, OERC directed the Company to file its comments for computation of Regulatory Assets . The Company submitted its stand on Regulatory Assets, which is under consideration by OERC.

3. Contingent Liabilities

- (i) Claims against the Company on account of court cases pending not acknowledged as debts Rs. 4.69 crore (Previous year - Rs. 4.60 crore).
- (ii) Claims against the Company on account of higher power purchase cost not acknowledged as debts Rs. 53.88 crore (Previous year - Rs. 53.88 crore).

4. Fixed Assets

(i) Land & Land Rights

Although ownership of the land has been passed on to the Company by GRIDCO in respect of freehold as well as leasehold in terms of Transfer Scheme Notification dated 25.11.98, formalities for legal transfer are yet to be completed.

(ii) The individual item wise details & physical location of the fixed assets not made available to the Company, as on the appointed date (i.e. 26.11.1998), these have been broadly classified under the heads given in Schedule-5 of the accounts of the Company. The values of such fixed assets could not be verified and has been taken as per the values given by GRIDCO.

(iii) The Fixed Assets Register of the Company has been maintained up to 31-03-2006 and the updation till 31-03-08 is in progress.

5. Sundry Debtors

- (i) The classification of sundry debtors between more than "Six Months" and "Others" has been made as per disclosure requirement under Schedule-VI of the Companies Act, 1956. Electricity Duty receivable from consumers and payable to Government amounting to Rs.37.36 crore has been included in

Sundry Debtors –‘over six months’ Rs.34.17 crore and ‘Others’ Rs. 3.19 crore.

- (ii) The Company has debited an amount of Rs. 101.03 crore to GRIDCO towards provision for doubtful debts as of 31.03.1999 determined on the basis of reasonable assessment carried out by its respective divisions. GRIDCO found the same to be higher by Rs. 31.68 crore based on the method of provisioning specified under Transfer Scheme Notification dated 25.11.1998. Difference on account of this Rs. 31.68 crore has not yet been accepted by GRIDCO.

However, based on the actual realization made till date, the provision of Rs. 101.03 crore made by the Company as on 31.03.1999 (against the GRIDCO’s assessment of Rs.69.35 crore), is fair and reasonable.

- (iii) As per the directives of OERC audit firms were appointed to review the sundry debtors and ascertain recoverability in order to determine the adequacy of provision for bad & doubtful debts. The receivable audit has been completed and the auditors have submitted their report to the OERC. Pending decision from OERC, the Company has provided bad & doubtful debts Rs. 52.51 crore after adjustment of security deposit, based on the following past practice.

a) In respect of HT / EHT class of consumers, analysis has been carried out on case-to-case basis and the amount doubtful of recovery has been fully provided for in the accounts after adjustment of security deposit.

b) The balance receivable from the permanently disconnected consumers as on 30.09.2007 has also been fully provided for.

c) In respect of non-government LT class of consumers, the arrears appearing as on 30.09.2007 after adjusting the collection made during the subsequent period have been fully provided for.

- (iv) Out of the provision for bad & doubtful debts, an amount of Rs.10.31 crore outstanding as on 30.09.2007 against permanently disconnected consumers, continuing under same status till 30.06.2008 has been written off during the year ended 31.03.08 after adjustment of security deposit of concerned consumers in accordance with the past practice followed.

6. No investment has been made against Contingency Reserve in view of insufficient cash flow for the year ended on 31.03.08.

7. Employees Benefits

7.1 The company is getting actuarial valuation done through approved and recognized actuaries regularly. During the year actuarial valuation has been carried out

by the Actuary appointed by OERC in accordance with AS-15 (Revised) issued by the Institute of Chartered Accountants of India.

The disclosure of employees benefit as defined in the Accounting Standard-15 (Revised), is given below;

(A) Defined Benefit Plan

- (i) Provident Fund
- (ii) Pension Fund
- (iii) Gratuity
- (iv) Leave Encashment

GRIDCO has paid Rs.30.53 crores up to the Balance Sheet date towards provident fund dues as of 31.03.1999 pending the finalization and reconciliation of provident fund accounts.

I. Changes in present value of obligation

Particulars	As at 31.03.2008 (Rs. In Lakhs)		
	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present value of Obligations at the beginning	2998.93	20232.29	2399.82
Current Service Cost	100.51	2850.59	135.10
Interest Cost	238.30	1661.51	191.91
Actuarial (Gain) / Loss	(808.40)	380.68	31.36
Benefits Paid	390.71	1370.16	284.01
Settlement Cost	-	-	-
Defined Benefit Obligations at end	2138.63	23754.91	2474.18

II. Changes in Fair value of Plan Assets

Particulars	As at 31.03.2008 (Rs. In Lakhs)	
	Gratuity (Funded)	Pension (Funded)
Fair value of plan assets at the beginning	1495.00	6917.00
Expected return on plan assets	119.60	553.36
Actuarial (Gain) / Loss	(98.04)	38.75
Employer Contribution	73.07	887.55
Benefits Paid	390.71	1370.16
Settlement Cost	-	-
Fair value of plan assets at end	1395.00	6949.00
Actual return on plan assets	133.59	636.32

III. Amounts recognized in the Balance Sheet

Particulars	As at 31.03.2008 (Rs. In Lakhs)		
	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Fair value of plan assets	1395.00	6949.00	-
Present value of obligation	2138.63	23754.91	2474.18
Fund Status	(743.63)	(16805.91)	-
Amount recognized in Balance Sheet	(483.08)	(16652.89)	2474.18

IV. Expense recognized in the Profit and Loss Account (Refer Schedule-15)

Particulars	As at 31.03.2008 (Rs. In Lakhs)		
	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Current Service Cost	100.51	2850.59	135.10
Interest Cost	238.30	1661.51	191.91
Expected return on plan assets	119.60	553.36	-
Actuarial (Gain) / Loss	(906.44)	419.43	31.36
Net Cost (*)	(687.23)	4378.17	358.37

V. Reconciliation of the Present Value of Defined Present Obligations and Fair value of Assets.

Particulars	As at 31.03.2008 (Rs. In Lakhs)		
	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Opening Net Liability	1503.93	13315.29	0
Expenses Recognized	(687.23)	4378.17	358.37
Contributions	73.07	887.55	0
Closing Net Liability	743.63	16805.91	358.37
Closing Fund/Provision at the end of the Year	2138.63	23754.91	2474.18

VI. Investment Details:

Particulars	As at 31.03.2008 (% Invested)	
	Gratuity (Funded)	Pension (Funded)
Government of India Securities	34.00	21.00
State Govt. Securities	7.00	4.00
PSU Bonds	29.00	20.00
Bonds of Financial Institutions	30.00	29.00
Special Deposits	0.00	26.00
Total:	100.00	100.00

VII. Actuarial Assumptions

Particulars	As at 31.03.2008 (Rs. In Lakhs)		
	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Mortality Table (LIC of India)	1994-96	1994-96	1994-96
Discount rate (per annum)	8.5%	8.5%	8.5%
Expected rate of return on plan assets (per annum)	8%	8%	-
Rate of escalation on salary (per annum)	5%	5%	5%

The estimates of rate of escalation in salary considered in actuarial valuation, take in to account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

(B) Defined Contribution Plan

The Company has no defined contribution Plan.

7.2 The Company had provided liability in respect to pension / gratuity / leave encashment amounting to Rs.160.54 crore as on 31.03.99 based on actuarial valuation given by Life Insurance Corporation of India as per the provisions of Accounting Standard-15 issued by the Institute of Chartered Accountants of India and debited the same to GRIDCO account. The actuarial valuation carried out by GRIDCO through private actuary appointed by them, determined the liability at Rs.62.14 crore as on 31.03.1999. The additional liability amounting to Rs.98.40 crore is disputed by GRIDCO. Upto the Balance Sheet date GRIDCO has transferred Rs.67.99 crore including interest to the respective trusts.

In view of the fresh actuarial valuation done by the actuaries appointed by OERC as on 31-03-2006, the actuarial valuation earlier made by the Company through LIC of India accepted is fair and justified.

OERC based on the Valuation of the Actuary, appointed by them, in their Tariff Order No. 64-67 dated 20th March 2008 stated that the unfunded Terminal Liability as on 31-03-2008 will be allowed in future 7 (seven) Tariff Orders. The Company had preferred review petition and the same has not been reviewed against which the company is preferring the Appeal before the Appellate Tribunal for Electricity (ATE).

In view of the above, no adjustment has been made in the Account against the differential amount of Rs. 98.40 crores.

7.3. Rehabilitation Trust

In respect of Rehabilitation Trust under Employees Welfare Scheme, GRIDCO Employees Rehabilitation Trust has held a grant from DFID, UK amounting to Rs.16.16 crore out of which Rs.2.48 crore was earmarked and received by NESCO Employees Rehabilitation Trust.

8. Provision for Contingency

In line with prudent Accounting Principles and as a matter of abundant caution, Administrative, General and Other Expenses includes, a provision of Rs. 7.43 crore (Previous year - Rs. 50.98 crore) for certain contingencies.

9. Redemption of Power Bond

9.1 GRIDCO has fully settled the Power Bond dues with NTPC as on 31st March 2007. Consequent to above and pursuant to the Bond Subscription Agreement dated 25th September 2001, the Company to reimburse the amount, after adjustments if any, as normal liabilities.

9.2 The Company has since fully discharged the Bond amount as normal liabilities together with the interest to GRIDCO.

9.3 The Company has received the notice dated 24th March 2008 for petition filed by GRIDCO before the Company Law Board, Eastern Region Bench, Kolkata objecting to the appropriation of payments/adjustments made in the account and the matter is sub-judice.

10. Business Segment

The entire operation of the Company is only in one segment namely distribution and selling of electricity in North Eastern Orissa, covering 28,000 sq. kms (approximately). As such no separate segment disclosure is required under Accounting Standard-17 on segment reporting, issued by the Institute of Chartered Accountants of India.

11. Related Parties Disclosure

As per Accounting Standard-18 issued by the Institute of Chartered Accountants of India, the company's related parties and transactions are disclosed below:

(A) Related Party Relationship

- (i) Associates / Investing Parties:
 - (a) Reliance Infrastructure Limited.
 - (b) GRIDCO Limited.

- (c) Reliance Infrastructure & Consultants Limited.
- (d) Sonata Investment Limited.

(ii) Key Management Personnel:

- (a) SriV.K.Sood, Managing Director, w.e.f. 26.11.2007
- (b) Col. (Retd.) S.C.Mohanty, CEO till 29-07-2007
- (c) Sri M.R.Mahapatra, Chief Executive Officer, w.e.f. 30-07-2007

(B) Transaction with Related Parties

(Amount in Rs.)				
Sl. No.	Nature of Transaction	Associates / Investing Parties	Key Management Personnel	Total
<u>Profit & Loss Account.</u>				
(a) Incomes:				
	(i) Rent	73,260	-	73,260
(b) Expenditures:				
	(i) Power Purchase (net of rebate)	6,842,768,009	-	6,842,768,009
	(ii) Salaries & Benefits	25,68,663	5,65,187	31,33,850
	(iii) Others	53,93,280	-	53,93,280
<u>Balance Sheet (Closing Balances)</u>				
(i)	Receivables	1,120,855,896	-	1,120,855,896
(ii)	Sundry Creditors/Payables	1,887,715,712	-	1,887,715,712
(iii)	Loans (incl. Int. payable)	2,965,850,297	-	2,965,850,297
(iv)	Equity Contribution	593,188,000	-	593,188,000

12. Deferred Taxation

The company has no taxable profit during the year considering the unabsorbed depreciation and business losses carried forward from earlier years under tax laws and the company does not foresee that sufficient future taxable income will be available against which such deferred tax asset can be realised. So, the company has not recognized deferred tax asset / liability as per Accounting Standard-22 issued by the Institute of Chartered Accountants of India.

13. Impairment of Assets

As required by Accounting Standard (AS) 28 “Impairment of Assets” issued by the Institute of Chartered Accountants of India, the Company has carried out assessment of impairment of assets. There has been no impairment loss during the period based on the assessment made by the company.

14. Dues of Micro and Small Enterprises

There are no reported Micro and Small Enterprises as defined in the ‘The Micro, Small and Medium Enterprises Development Act, 2006’, to whom the Company owes dues.

15. Balance Confirmation

The Company has written letter to parties for balance confirmation. The balance confirmations are awaited and for those received are under process of reconciliation.

16. Remuneration to Key Managerial Personnel.

The amounts paid or provided for by way of remuneration to Key Managerial Personnel, are as under:

	(Year ended 31.03.08) <u>Rs. Lakh</u>	(Year ended 31.03.2007) <u>Rs. Lakh</u>
Salary	5.65	6.12

17. Remuneration to Statutory Auditors

	(Year ended 31.03.2008) <u>Rs. Lakh</u>	(Year ended 31.03.2007) <u>Rs. Lakh</u>
(i) Audit Fees	6.00	4.00
(ii) Tax Audit	0.90	0.90
(iii) Other services	1.10	0.80
(iv) Reimbursement:		
Out-of-pocket expenses	1.97	1.24
Service Tax	0.99	0.70
(v) Cost audit fees	0.70	-
Service Tax	0.09	
	<u>11.75</u>	<u>7.64</u>

