

**REPLIES OF THE MANAGEMENT ON THE COMMENTS OF
STATUTORY AUDITORS ON THE ACCOUNTS OF THE
COMPANY FOR THE YEAR 2007-08**

Report Ref.	COMMENTS OF THE STATUTORY AUDITORS	REPLIES OF MANAGEMENT
4.1	Non-Accounting of expenses like rebate on sale/ purchase of power, payment of ex-gratia to employees, incomes from delayed payment surcharge and penal interest on loans and advances on accrual basis which is not in consonance with the provisions of section 209(3)(b) of the Companies Act, 1956 and not in conformity with Accounting Standard-1 issued by the Institute of Chartered Accountants of India, the effect of which is not ascertainable (Ref. Para no. 1.1 and 1.6 of Significant Accounting Policies – Schedule-17).	Revenue is recognized and accounted for on accrual basis. Rebate on sale/purchase of power, delayed payment surcharge, overdrawal penalty, penal interest on loans and advances are accounted for on final acceptance / payment basis. This has been disclosed in Notes to Accounts ‘Significant Accounting Policies’ Para 1.1 & Para 1.6.
4.2	Provision for employees retirement benefits accounted for on the basis of claims raised by OPTCL (at a pre-determined rate) and non-ascertainment of the liabilities towards the retirement benefits as per actuarial valuation as suggested by AS-15, the effect of which is not ascertainable. (Ref. Para No. 1.5 of significant Accounting policies – Schedule- 17).	In respect of the employees of GRIDCO, who are on deputation from OPTCL, the provision towards their retirement benefits has been made on the basis of claims received from OPTCL against such employees. In respect of other employees, contribution to PF trust is made as per provisions of EPF & MP Act 1952. (Notes on Accounts Para 1.5)
4.3	Non-acceptance of the difference of Rs.83.03 crores in losses of three Distribution Companies i.e. SOUTHCO, NESCO & WESCO for the year 1998-99 between the audited accounts of these distribution companies as approved by GRIDCO and the audited accounts of the Distribution Companies, Rs.501.71 crores on account of liability towards terminal benefits of employees of SOUTHCO, WESCO and NESCO over and above the provision in the books of the company as per second actuarial valuation carried out by BSES and Rs.106.93 crore towards provision for bad and doubtful debts in respect of Debtors taken over from GRIDCO the effect of which is not ascertainable	The loss for the year ended 31-03-99 and the terminal liability as on 31-03-99 was determined by GRIDCO in conformity with the Transfer Scheme 1998 and is being exhibited in the accounts of GRIDCO. DISTCOs have however prepared different sets of accounts in contravention of the Transfer Scheme 1998; which have been adversely commented by C &AG in their supplementary Audit Report on the accounts of DISTCOs...

	(Ref. Para No.2.2.1 of Notes on Accounts – Schedule – 17). The C&AG have adversely commented on the audited accounts of respective Distribution Companies for the year 1998-99 on the above matters.	
4.4	Non-acceptance of the accounts of CESCO for the year 1998-99 as prepared and approved by GRIDCO by CESCO resulting in enhancement of loss by Rs.386.45 crores comprising of differential value of provision for terminal benefits, provision for Bad and Doubtful Debts and others, the effect of which is not ascertainable. The C&AG have adversely commented on the audited accounts of CESCO for the year 1998-99 on the above matters. (Ref. Para No.2.2.2 and 2.2.3 of Notes on Accounts – Schedule – 17).	The loss for the year ended 31-03-99 and the terminal liability as on 31-03-99 was determined by GRIDCO in conformity with the Transfer Scheme 1998 and is being exhibited in the accounts of GRIDCO. DISTCOs have however prepared different sets of accounts in contravention of the Transfer Scheme 1998; which have been adversely commented by C &AG in their supplementary Audit Report on the accounts of DISTCOs...
4.5	Non-transfer of 10% of ordinary shares in each Distribution Company to the trustees of the new trust for the benefit of the employees, the effect of which is not ascertainable (Ref. Para No.2.2.5 of Notes on Accounts – Schedule – 17)	The Distribution companies namely WESCO, NESCO & SOUTHCO have not yet completed the transfer formalities; for which GRIDCO has filed a petition before the Company Law Board, Principal bench, New Delhi.
4.6	Non-recognition of Income from interest amounting to Rs.117.47 crores on long term loans granted to the Distribution Companies resulting in under statement of profit of the company and interest accrued on loan to that extent (Ref. Para No.2.2.7 of Notes on Accounts – Schedule – 17).	The Hon'ble OERC in their tariff orders for the F.Y 2004-05 & 2005-06 have ordered that no interest will be considered on loans outstanding against the Distribution companies and a directive has been given to amend the agreement for this purpose. This has been accepted by GRIDCO. As such charging of interest in books of accounts will not be correct.
4.7	Non-creation of any provision in respect of investments made in equity share capital of CESCO amounting to Rs.35.63 crores in view of vesting of all assets, liabilities, rights, proceedings, manpower and the license of the utility with the CENTRAL ELECTRICITY SUPPLY UTILITY OF ORISSA (CESU) w.e.f. 8 th September, 2006 vide CENTRAL ELECTRICITY SUPPLY UTILITY OF ORISSA (Operations &	Noted

	Management) Scheme 2006 issued vide Notification dated 8 th September, 2006 and as amended by order dated 13 th October, 2006, the effect of which is not ascertainable (Ref. Para No. 2.3 of Notes on Accounts – (Schedule-17).	
4.8	Non-creation of any provision in respect of the Power Bonds of Rs.400.00 crores and interest thereon till date of maturity i.e. 30.09.07 amounting to Rs.205.56 crores, receivable from NESCO, WESCO & SOUTHCO which has not been redeemed by such Distribution Companies in time nor the full amount of interest thereon has been serviced by them for which the Company has filled a petition before CLB, Eastern Region Branch, Kolkata, the effect of which is not ascertainable (Ref. Para No.2.6 of Notes on Accounts – Schedule – 17).	For realization of the dues on Rs. 400 crore bonds and interest there on, GRIDCO has filed a petition before Company Law Board, Eastern Region Bench, Kolkata under Section 117C (4) of Companies Act 1956. As the Bonds are in the nature of secured, non-convertible & redeemable debentures, no provision has been created against the same.
4.9	Non-creation of any provision in respect of its receivable from ICCL amounting to Rs.18.75 crores, the realization of which has been disallowed by the Arbitration Tribunal vide their order dated 23.03.08, the effect of which is not ascertainable. (Ref. Para No.2.7 of Notes on Accounts – Schedule – 17).	Noted
4.10	Non-availability of balance confirmation in respect of some outstanding balances of the Company the effect of which is not ascertainable. (Ref. Para No.2.11 of Notes on Accounts – Schedule –17).	Noted
4.11	Non-creation of provision for diminution in value of investments of Rs.74.59 crores if any in the Equity share of NESCO, WESCO & SOUTHCO which is not in consonance with the requirements of AS-13 “Accounting for Investments” issued by the Institute of Chartered Accountants of India, the effect of which is not ascertainable. (Ref. Para No.2.14 of Notes on Accounts – Schedule – 17).	Investments which are long term in nature are stated at cost less provision, if any for permanent diminution in the value of such investment. Permanent diminution in the value of equity investment in DISTCOs are yet to be anticipated; as the DISTCOs, who are licensed for distribution and retail supply of electricity are going concerns operating under regulated environment. Therefore no provision for diminution in the value of investment is created.
4.12	Non-creation of any further provision in respect of un-realizable amount, if	Noted for compliance

	any in respect of Debtors of Rs.1355.04 crores, the effect of which is not ascertainable. (Ref. Para No. 2.16 of Notes on Accounts – Schedule-17).	
4.13	Non-creation of any provision in respect of old and un-reconciled debit balances of Rs.42.84 crores the effect of which is not ascertainable. (Ref. Para No.2.17 of Notes on Accounts – Schedule-17).	Noted for compliance
4.14	The provision for Fringe Benefit Tax amounting to Rs.6,85,409/- has been inadvertently reflected under Current Liabilities in the Balance Sheet.	Noted for compliance

GRIDCO Limited
(Formerly Grid Corporation of Orissa Limited)
Regd. Office : Janpath, Bhubaneswar - 751 022

BALANCESHEET AS AT 31-03-2008

	Schedule No.	As at 31-03-2008 (Rupees)	As at 31-03-2007 (Rupees)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	4,329,814,000	4,329,814,000
		4,329,814,000	4,329,814,000
LOAN FUNDS			
Secured Loans	2	5,067,246,977	6,126,372,010
Unsecured Loans	3	15,728,964,183	21,301,382,859
		20,796,211,160	27,427,754,869
TOTAL		25,126,025,160	31,757,568,869
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	441,762	-
Less depreciation		12,134	-
Net Block		429,628	-
INVESTMENTS			
	5	5,125,206,000	5,138,286,000
CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors	6	13,557,840,309	15,338,365,064
Cash & Bank Balances	7	2,798,121,101	1,054,746,112
Other Current Assets	8	7,458,701,941	11,493,274,935
Loans & Advances	9	8,829,581,498	9,056,201,709
		32,644,244,849	36,942,587,819
LESS: CURRENT LIABILITIES & PROVISIONS			
Liabilities	10	8,488,990,582	13,313,902,769
Provisions		6,151,012,024	4,667,177,354
		14,640,002,606	17,981,080,123
NET CURRENT ASSETS		18,004,242,243	18,961,507,696
MISC. EXPENSES (TO THE EXTENT NOT WRITTEN OFF)			
	11	2,240,588	3,360,881
PROFIT AND LOSS ACCOUNT			
		1,993,906,701	7,654,414,292
Significant Accounting Policies & Notes on Accounts	17		
TOTAL		25,126,025,160	31,757,568,869

Schedules 1 to 17 & accounting policies form an integral part of the Accounts

As per our Report of even date attached

For SCM ASSOCIATES
Chartered Accountants
(CA P. K. Bal, FCA)
Partner Membership No. 55147

(U.K. Panda)
Director (Finance &
Corporate Affairs)

(C. J. Venugopal)
Chairman-cum-Managing
Director

Place: Bhubaneswar

Date: 17-06-08

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

1.1 BASIS OF ACCOUNTING:

The Financial Statements are prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles. Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable, the relevant provisions of the Companies Act, 1956 except for expenses like rent, liquidated damages which are accounted for on cash basis.

1.2 FIXED ASSETS:

Fixed assets are stated at cost less depreciation there on.

1.3 BORROWING COST:

The borrowing cost is recognized as expense in the period in which these are incurred.

1.4 DEPRECIATION:

1.4.1 Depreciation is charged on Straight Line method at the rates specified in the Schedule XIV of the Companies Act, 1956.

1.4.2 Assets, costing up to Rs.5000/- are fully depreciated during the year of acquisition.

1.5 INVESTMENTS:

Investments in the nature of long term are carried at Cost after providing for diminution in the value, if it is permanent in nature.

1.6 EMPLOYEES BENEFITS:

The employees of GRIDCO are on deputation from Orissa Power Transmission Corporation Ltd., provision towards pension, gratuity and leave encashment has been made during the year on the basis of claims raised by OPTCL.

1.7 REVENUE RECOGNITION:

Revenue on sale of power is recognized on accrual basis, at the price approved by Orissa Electricity Regulatory Commission and does not include electricity duty. Receipts for delayed payment surcharge, penal interest on loans and advances and payment of ex-gratia to the employees are accounted for on cash basis.

2. NOTES ON ACCOUNTS:

2.1 Pursuant to the provisions of the Electricity Act, 2003, no transmission licensee shall enter into any contract or otherwise engage in the business of trading in electricity. Grid Corporation of Orissa Limited, a transmission and bulk supply licensee was therefore prohibited from trading in electricity, which included bulk purchase and sale of power. In compliance to the provisions of the Electricity Act, 2003, Govt. of Orissa vide Notification No. 6892 Dated 09.06.2005 made a Transfer Scheme called “the Orissa Electricity Reforms (Transfer of Transmission and Related Activities) Scheme, 2005” for the purpose of transfer and vesting of the transmission undertakings of GRIDCO in favour of Orissa Power Transmission Corporation Limited, a wholly owned Undertaking of the State Govt. In terms of the aforesaid Notification, the transfer of transmission undertaking came in to force effective from 1st April 2005. Consequently, all the Transmission Assets, assets relating to State Load Despatch Center, Personnel, Proceedings and related liabilities stood transferred to M/s. Orissa Power Transmission Corporation Ltd. with effect from 1st April 2005. The value of the assets and liabilities of GRIDCO which were transferred to OPTCL and retained with GRIDCO as on 1st April 2005 pursuant to the Notification No. 6035 dated 21.06.2006 are as under:

	TOTAL	GRIDCO	OPTCL
I. ASSETS			
1.Fixed Assets			
Gross Block	17,632,938,595		17,632,938,595
Less Accumulated Depreciation	7,333,481,552		7,333,481,552
Net Block	10,299,457,043		10,299,457,043
2. Capital Work in Progress	9,552,280,358		9,552,280,358
3. Investments	11,480,817,277	11,210,267,277	270,550,000
4. Current Assets, Loans & Advances			
Stores and Spares	600,172,746		600,172,746
Sundry Debtors	17,658,313,282	17,209,137,128	449,176,154
Cash and Bank Balances	1,194,543,188	17,156,427	1,177,386,761
Other Current Assets	5,770,237,604	5,095,647,509	674,590,095
Loans and Advances	4,476,708,260	4,268,735,244	207,973,016

	29,699,975,080	26,590,676,308	3,109,298,772
5. (a) Miscellaneous expenditure to the extent not written off or adjusted	5,601,467	5,601,467	
(b) Profit and Loss Account	10,281,444,145	10,281,444,145	
	10,287,045,612	10,287,045,612	
Total Assets	71,319,575,370	48,087,989,197	23,231,586,173
II. LIABILITIES			
1. Shareholders' Funds			
Share Capital	4,929,814,000	4,329,814,000	600,000,000
Reserves and Surplus	5,064,696,620	485,194,643	4,579,501,977
	9,994,510,620	4,815,008,643	5,179,501,977
2. Loan Funds			
Secured Loans	10,419,254,333	4,904,955,030	5,514,299,303
Unsecured Loans	41,035,747,684	30,268,350,412	10,767,397,272
	51,455,002,017	35,173,305,442	16,281,696,575
3. Other Funds			
Consumers' Security Deposit	83,334		83,334
4. Current Liabilities and Provisions			
Current Liabilities	9,806,535,590	8,099,675,112	1,706,860,478
Provisions	63,443,809		63,443,809
	9,869,979,399	8,099,675,112	1,770,304,287
Total Liabilities	71,319,575,370	48,087,989,197	23,231,586,173

2.2 POWER SECTOR REFORM (Transfer Scheme Notification SR No.750/98 dated 25.11.98):

2.2.1 Transfer of Operational results of DISTCOs Accounted for in 1998-99 Accounts:

The loss for the period from 26.11.1998 to 31.03.1999 of Rs.62.94 Crore of 4 Distribution Companies as detailed below were finalized and borne by GRIDCO in terms of the provisions of Transfer Scheme Notification dated 25.11.98.

(Rs. in crore)		
Sl. No.	Name of the Company	Amount
1	CESCO	34.52
2	SOUTHCO	3.69
3	WESCO	5.13
4	NESCO	19.60
	TOTAL	62.94

The Board of Directors of GRIDCO approved the final accounts of WESCO, NESCO & SOUTHCO in their adjourned 57th Meeting held on 18.06.2001. The approved accounts were sent to respective DISTCOs for authentication.

But the Board of Directors of WESCO, NESCO & SOUTHCO approved a different set of accounts with majority in spite of opposition by the nominee Directors of GRIDCO. The aforesaid audited accounts disclose a net operational loss of Rs.111.45 Crore, which was shown as transfer to GRIDCO in the accounts of the respective DISTCOs. The above figures are different from the figures approved by the Board of Directors of GRIDCO substantially as the losses were not determined by the DISTCOs in accordance with the provisions of Transfer Scheme Notification. The difference in loss Rs.83.03 Crore is detailed below:

(Rs. in crore)				
Sl. No.	N a m e	As per DISTCOs	As per GRIDCO	Difference
1	NESCO	46.43	19.60	26.83
2	SOUTHCO	25.89	3.69	22.20
3	WESCO	39.13	5.13	34.00
	TOTAL	111.45	28.42	83.03

In addition to above, liability for an amount of Rs.501.71 Crore towards terminal benefits of employees of SOUTHCO, WESCO and NESCO over and above the provisions made in the accounts of GRIDCO for the year was debited to GRIDCO by the DISTCOs on the basis of a second actuarial valuation carried out by three Distribution Companies. This additional debit of Rs.501.71 Crore was ignored in the GRIDCO accounts as adequate provision for the terminal benefits of the employees of DISTCOs was made in the accounts of GRIDCO based on actuarial valuation done as per the relevant provision of the Transfer Scheme Notification dated 25.11.1998.

Subsequently, the C & A.G. Audit made an adverse comment on the above accounts prepared by Distribution Companies with the remarks that “*Company’s accounts do not represent true and fair view of the State of Affairs of the Company as on 31st March 1999*”, since the accounts were not prepared in accordance with the Transfer Scheme Notification SR No.750/98 dated 25.11.1998” which resulted in an extra substantial liability of Rs.501.71 Crore towards employees terminal benefits and Rs.106.93 Crore towards provision for bad and doubtful debts to GRIDCO.

2.2.2 Audit of Accounts for 1998-99 of CESCO:

The accounts of CESCO for the year 1998-99 (26.11.98 to 31.3.99) were finalized/ prepared as per the provisions of Transfer Scheme Notification dated 25.11.1998 and approved by the Board of Directors of GRIDCO in their 60th meeting held on 04.12.2001. The approved accounts were forwarded to CESCO on 28.12.2001 for approval and authentication and submission to the Statutory Auditors appointed by Department of Company Affairs, Govt. of India Under Section-619 (4) of the Companies Act, 1956. But the Board of Directors of CESCO approved a separate set of accounts contravening the terms of said Transfer Scheme Notification with majority, in spite of opposition by nominee Directors of GRIDCO and forwarded the same to the Statutory Auditors. The Statutory Auditors submitted their reports with an adverse remark that “In our opinion and to the best of our information and according to explanations given to us, the said Balance Sheet and Profit and Loss Account together with notes thereon, give in the prescribed manner, the information required by the Companies Act, 1956, in the manner so required. However, the said accounts do not give a true and fair view in conformity with the accounting principles generally accepted in India with particular reference to our comments contained in paragraphs 1, 2, 3 & 4 of Annexure-II which forms an integral part of this report”. Those are broadly mentioned below:

- Violation of Provisions of the Transfer Scheme.
- Violation of Provision of Share Acquisition Agreement.
- The Company compiled a different set of accounts revising the accounts prepared by GRIDCO, which resulted in enhancement of loss by Rs. 386.45 Crore.

The Company transferred the above loss of Rs. 386.45 Crore determined in the accounts revised by the Company to the account of GRIDCO, which in our opinion is not an operational loss envisaged as transferable to GRIDCO as per the provisions of the Transfer Scheme Notification and notes thereon.

2.2.3 Provision towards bad and doubtful debts for 1998-99 Accounts of CESCO:

As per the Share Acquisition Agreement, entered into between GRIDCO and AES Corporation, USA, Jyoti Structures Ltd. and AES Orissa Distribution Pvt. Ltd. dated 31.08.99, (Clause 10.1), CESCO had appointed M/s. N.M.

Raiji & Co., Chartered Accountants, Mumbai to conduct the audit of receivables of CESCO as on 31st March, 1999 in order to assess the adequacies of the provision for bad and doubtful debts. M/s. N.M. Raiji & Co had submitted their report and CESCO had placed the report before the Statutory Auditors in terms of Share Acquisition Agreement for their findings. The Statutory Auditor had completed the audit and submitted their report but not accepted the report of M/s. N.M. Raiji & Co., for provisioning towards bad & doubtful debts. The provision for bad and doubtful debts was made in the accounts @ 15 % on incremental debtors as per the accounting policy consistently followed by GRIDCO and as per provision under para 6 (ii) Schedule ‘A’ ‘B’ ‘C’ ‘D’ of Transfer Notification dated 25.11.98. The major disagreements were as follows:

(Rs. in crore)

Sl. No.	Particulars	As per GRIDCO	As per CESCO	Difference
1	Provision for Terminal Benefit	112.40	310.55	(198.15)
2	Provision for bad & Doubtful debts	184.15	366.56	(182.41)
3	Miscellaneous Provision	-	5.89	(5.89)
	Total	296.55	683.00	(386.45)

2.2.4 Transfer of Government debtors:

An amount of Rs.232.76 Crore being receivables from Government Departments and PSUs was transferred to GRIDCO’s books of account as on 31st March’99 as per the provision of Transfer Scheme Notification dated 25.11.98, the details as follows:

(Rs. in crore)

Sl. No.	Name of Company	Receivable from Govt. Deptts.	Receivable from Govt. PSUs	Total
1.	CESCO	47.80	41.27	89.07
2.	NESCO	17.86	14.27	32.13
3.	WESCO	34.66	11.72	46.38
4	SOUTHCO	22.9	42.27	65.18
	Total:	123.23	109.53	232.76

2.2.5 Investment in DISTCOs – Equity Shares:

GRIDCO invested to Rs.224.94 crore in the year 1998-99 in its Subsidiary Companies in the form of Equity Shares. During the year 1999-00, 51% of

investments were sold to BSES & AES managed companies. GRIDCO's Investment stands at Rs.110.22 crore as on 31.03.2008 (Schedule-4).

GRIDCO agreed to transfer 10 % of the equity share capital in each DISTCO to the Trustees of new Trusts to be established for the benefits of the employees of the respective DISTCOs in terms of Share Acquisition Agreement (Clause No.3.2.2) and Share Holder Agreement Clause-(i). The purpose of each Trust is to promote the welfare of the employees of the DISTCOs. Transfer formalities are yet to be completed by the DISTCOs. The details of share to be transferred to Trust of each Distribution Companies are as under:

(Rs. in crore)		
Sl. No.	Name of the Company	Amount
1.	CESCO	7.27
2.	SOUTHCO	3.77
3.	WESCO	4.86
4.	NESCO	6.59
	T O T A L:	22.49

2.2.6 Investment in DISTCOs - Long-term loan:

GRIDCO was to receive in form of loan Rs.226.67 crore from 4 Distribution Companies during 01.04.1999 to 31.03.2008, in addition to Rs.622.40 crore due from DISTCOs on 01.04.1999; aggregating to Rs.849.07 crore. This amount includes Rs.174.00 crore provided to CESCO at the time of transfer of equity to AES Consortium (Schedule-8).

2.2.7 Interest receivable on long term loans:

Interest receivable on long-term loans transferred from GRIDCO to 4 Distribution Companies as on 31.03.2008 amounting to Rs.410.00 crore were taken in the accounts in accordance with the provisional agreement entered into between GRIDCO and Distribution Companies.

Interest receivables on these loans were accounted for @ 13.837% per annum up to the financial year 2002-03 instead of 17.837%, applicable in case of default in payment of installment of interest and principal as set out in the Schedule to the Agreement, keeping in view the conservatism principle of

accounting and uncertainty in realization of the same. Interest for the financial year 2003-04 have been accounted for @ 8.5% per annum and no interest have been provided from the financial year 2004-05 as per OERC Tariff Order. Interest receivables amounting to Rs.410.00 crore from investment in DISTCO were shown under “Other Current Assets (Schedule-7)”.

2.2.8 Cash and Bank Balances:

As per the Transfer Scheme Notification SR No.750/98 dated 25.11.98 the Cash and Bank balances were to be adjusted by injection or withdrawal of funds by GRIDCO on 31st March’99 to ensure that the balances match as stated in the provisional balance sheets of Distribution Companies set out in part-II of schedules ‘A’ ‘B’ ‘C’ ‘D’ of said Notification.

In the final Balance sheets of Distribution Companies as on 31st March’99 cash and bank balances stood at Rs.56.42 Crore as against of Rs.44.37 crore as set out in the provisional balance sheets as on 31.03.1999 in schedules-A, B, C, D of part - II of the Transfer Scheme Notification. Keeping in line with aforesaid provisions of the Transfer Scheme Notification (Schedules A, B, C, D of part-I) the 4 Distribution Companies were required to pay GRIDCO Rs.12.05 Crore in cash, which was shown under receivable from DISTCOs.

- 2.3 Orissa Electricity Regulatory Commission (OERC) revoked the Distribution and Retail Supply License of CESCO with effect from 01.04.2005 under Section 19 of the Electricity Act, 2003 and vested the management and operation of the Central Zone Electricity Distribution and Retail Supply Utility; with an Administrator. OERC went through a process of sale of the central zone utility u/s 20 of the Electricity Act 2003, which could not be materialized. Pursuant to section 22 of the Electricity Act 2003, OERC have formulated a Scheme called the Central Electricity Supply Utility of Orissa (Operation and Management) Scheme, 2006 vide Notification dated 8th September 2006 as amended by an Order dated 13th October 2006 by which all assets, liabilities, rights, proceedings and man-power as well as the license of the Utility has been vested with the Central Electricity Supply Utility of Orissa (CESU) with effect from 8th September 2006 for a period of 2 years.

2.4 CONTINGENT LIABILITIES:

The claims against the Company not acknowledged as Debts:

- (a) Rs.4075.11 lakhs - Acceptance of OPGC energy bills at the tariff rates for F.Y 2005-06 and non-acceptance of year-end adjustment bill for F.Y 2007-08 and the matter is subjudice.
- (b) Rs.0.14 lakh - Excess claim of incentive for higher capacity index of Rengali HEP not admitted by GRIDCO in absence of SLDC certificate.
- (c) Rs.24.23 lakh - Excess energy claimed for Hirakud hydro stations not accepted by GRIDCO.
- (d) Rs.10.81 lakh - Excess energy claimed for Balimela Power House not accepted by GRIDCO.
- (e) Rs.30.98 lakh - Excess claim of incentive for higher capacity index of Upper Kolab HEP not admitted by GRIDCO in absence of SLDC certificate.
- (f) Rs.0.04 lakh - Excess claim towards incentive for higher capacity index of UIHEP not accepted by GRIDCO in absence of SLDC certificate.
- (g) Rs.23.10 lakh - Provisionally accepted the bills for Machhkund H.E.P. as per OERC approved rate of 18.21 p/u against the claim of 19.47 p/u subject to receipt of final O&M bill.
- (h) Rs.7.52 lakh - Disputed O&M charges claim of PGCIL as copy of Supreme Court order as required is not furnished.
- (i) Rs.1.36 lakh - Disputed publication fee of PGCIL not in conformity with CERC order.
- (j) Rs.2.42 lakh – Disputed as PGCIL has not submitted the Supreme Court Order as required.
- (k) Rs.56.06 lakh – Disputed O&M charges claim of PGCIL as the CERC order relating to the concerned lines and certified documents relating to the required rate of interest not submitted.
- (l) Rs.0.45 lakh – Disputed as PGCIL has wrongly considered the % of Share allocation.
- (m) Rs.0.36 lakh – Disputed as wrong calculation made by PGCIL.
- (n) Rs.27.99 lakh – Disputed as NVVNL has claimed higher rate for URS power.
- (o) Rs.2746.03 lakh – Being the claim of OPTCL towards short-term open access charges from FY 2005-06 to FY 2007-08 not admitted by GRIDCO.

2.5 Pursuant to the orders of appellate Tribunal for Electricity and Supreme Court of India, the Company has made provision of Rs.148.36 crore during 2007-08 (previous year Rs.466.68 crore) for meeting the liabilities on account of Trading of Power which has been ascertained on prudent basis (in line with AS29 issued by ICAI) pending disposal of case.

2.6 GRIDCO has accounted for the full value of the 12.5% Secured, Non-convertible and Redeemable Power Bonds of Rs.400 crore as investment in WESCO, NESCO & SOUTHCO. Interest @ 12.5% has been accounted for on the said bonds till the date of maturity i.e. 30.09.2007. GRIDCO has filed a petition before the Company Law Board, Eastern Region Bench, Kolkata under Section 117C (4) of the Companies Act, 1956 for redemption of the bonds by way of payment of principal and interest due thereon.

2.7 The Arbitration Tribunal vide their Order dated 23.03.2008 have not allowed the claim of GRIDCO against ICCL/IMFA which includes Rs.18.75 crore accounted for as receivables from ICCL. As the award of the Tribunal is being challenged before the Hon'ble District Court, Bhubaneswar, no provision against the receivable has been created in the accounts during the year.

2.8 Related party disclosures:

(a) Related parties:

(i) List of joint ventures:

OPTCL, WESCO, NESCO, SOUTHCO and CESCO (CESU)

(ii) Key Management personnel

Shri U.P. Singh, IAS	Chairman and Managing Director (from 01-06-06)
Shri G.K Dhal, IAS	Chairman and Managing Director (from 30-04-07)
Shri C.J Venugopal, IAS	Chairman and Managing Director (from 08-08-07)
Shri U.K. Panda	Director (Finance & Corporate Affairs) (from 11-08-06)
Shri A.C. Mallik	Director (Commercial) (from 18-09-06)

(b) Transactions with the related parties at a (i) above are as follows:

(Rs. in crore)

Particulars	Transactions		Outstanding Amount	
	Current Year	Previous Year	31.03.2008	31.03.2007
Contribution towards equity	Nil	Nil	110.22	110.22
Loan	44.00	26.00	849.07	849.07

(c) Remuneration to key management personnel is Rs.13.61 lakh (previous year Rs.9.26 lakh) and amount of dues outstanding as on 31st March'2008 are Rs. nil (Previous year Rs. nil).

(d) Traveling expenses of Directors is Rs.3,98,173/- (Previous year Rs.6,39,408/-) and sitting fees paid to Directors is Rs.44,000/- (Previous year Rs.20,000/-).

2.9 Dues of SSI Units:

The company has not made any purchases from SSI units during the year. Hence the question of outstanding dues of SSI units for Rs.1.00 (One) lakh and above for a period exceeding 30 days does not arise.

2.10 Expenditure & Earning in Foreign currencies: NIL

2.11 Since the Company is a public utility Company and carries out service oriented and trading activities, particulars as required under Schedule-VI relating to licensed and installed capacity, stock and raw materials consumed are not applicable. However, the quantitative details of Purchases and Sales of Electricity in Units (KwH) are as under:

Quantitative Details (In MU)

	2007-08	2006-07
Units sold	20027.67	18189.36
Units purchased during the year	20934.39	18866.10
Transmission loss in the system including Auxiliary consumptions	906.72	676.74

2.12 Deferred Tax Assets after setting off deferred tax liability, as computed is in the region of Rs.249.60 crore (Previous year Rs.275.64 crore) which has not been considered in the accounts on prudent basis as the company is not certain about the future availment of such benefit.

2.13 There is no change in paid-up Equity Capital during 2007-08.

2.14 The Corporation has invested Rs.110.22 crore in 4 Distribution Companies namely WESCO, NESCO, SOUTHCO & CESCO by way of purchasing 11,02,20,600 Nos. of equity shares of Rs.10/- each fully paid up in terms of transfer Notification dated 25.11.1998of Govt. of Orissa. Carrying amount of the said investment has been taken at par keeping in view that they are engaged in distribution of power as per regulated

tariff fixed by OERC. The shortfall of revenue if any will be adjusted by way of revision in tariff. The carrying amount of Equity investment in CESCO where license has been cancelled has also been taken at par pending a final decision of the Orissa Electricity Regulatory Commission, with regard to sale of the utility U/s 20 of the Electricity Act 2003.

2.15 Remuneration to Auditors:

Payment of remuneration to auditors for 2007-08 included in Audit Fees under Administration, General and other expenses at Schedule 12 is as follows:

Particulars	(Rs. in lakh)	
	2007-08	2006-07
Statutory Auditors Remuneration	0.73	0.73
Tax Audit Fees	0.18	0.18
Other reimbursable audit expenses	NIL	NIL
Total	0.91	0.91

2.16 Receivables from State PSUs and Departments of Govt. of Orissa stand at Rs.225.78 crore only as on the balance sheet date in the books of the Company. All debts against Govt. Departments are considered good.

2.17 The following balances have remained outstanding since erstwhile OSEB days. Pending reconciliation, no adjustments or provisions has been made in the accounts during the year.

Head of account	Amount (Rs.)
Sundry debtors for electricity duty	60,86,717.00
Sundry creditors W.B. Power Purchase	12,36,853.00
Amount receivable from State Government	11,04,37,622.00
Amount receivable from Central Government	31,36,920.00
Balance recoverable	1,05,540.00
Sundry debtors for miscellaneous sales	46,01,173.00
Bills receivable from work done	5,14,47,619.00
Amount receivable others	5,56,36,658.00
Advance payment leave salary	26,62,389.00
Claims for missing tankers	23,75,359.00
Revenue subsidy/ grant receivable	18,95,21,129.00
Claim for loss/damage to materials	3,15,643.00
Claim for loss/damage to capital assets	5,50,893.00

GRIDCO

Transactions with DAG, Puri GPF advance	1,77,456.00
Amount receivable from State Govt., - others	1,34,830.00
Total:	42,84,26,801.00

2.18 Previous Year's figures have been regrouped and reclassified wherever necessary.

2.19 Figures have been rounded off to the nearest rupee.

For SCM Associates
Chartered Accountants

(U.K Panda)
Director (F & CA)

(C.J. Venugopal)
Chairman-cum-Managing Director)

Balance Sheet Abstract and Company's General Business Profile of GRIDCO.

Statement pursuant to part-IV of Schedule VI to the Companies Act'1956.

I. Registration Details:

Registration No

1	5	0	3	9	6	0
---	---	---	---	---	---	---

 State Code

1	5
---	---

Balance Sheet Date:

3	1
---	---

0	3
---	---

2	0	0	8
---	---	---	---

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands):

Public Issue

N	I	L
---	---	---

 Rights Issue

N	I	L
---	---	---

 Bonus Issue

N	I	L
---	---	---

 Private Placement

N	I	L
---	---	---

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands):

Total Liabilities

3	9	7	6	6	0	2	8
---	---	---	---	---	---	---	---

Total Assets

3	9	7	6	6	0	2	8
---	---	---	---	---	---	---	---

Sources of funds:

Paid-Up Capital

4	3	2	9	8	1	4
---	---	---	---	---	---	---

Reserves & Surplus

N	I	L
---	---	---

Secured Loans

5	0	6	7	2	4	7
---	---	---	---	---	---	---

Unsecured Loans

1	5	7	2	8	9	6	4
---	---	---	---	---	---	---	---

Consumer Security Deposits

N	I	L
---	---	---

Application of Funds:

Fixed Assets

4	3	0
---	---	---

Investments

5	1	2	5	2	0	6
---	---	---	---	---	---	---

Net Current Assets

1	8	0	0	4	2	4	2
---	---	---	---	---	---	---	---

Misc. Expenditure

2	2	4	0
---	---	---	---

Accumulated Losses

1	9	9	3	9	0	7
---	---	---	---	---	---	---

IV. Performance of the Company (Amount in Rs. Thousands):

Turnover

3	3	4	8	2	5	4	8
---	---	---	---	---	---	---	---

+ - Profit / Loss before Tax

✓		5	6	6	0	7	6	8
---	--	---	---	---	---	---	---	---

(Please tick Appropriate box + for Profit, - for loss)

Earning Per Share (in Rupees)

1	3	0	7
---	---	---	---

Total Expenditure

2	7	8	2	1	7	8	0
---	---	---	---	---	---	---	---

+ - Profit / Loss After Tax

✓		5	6	6	0	5	0	8
---	--	---	---	---	---	---	---	---

Dividend rate %

N	I	L
---	---	---

V. Generic Name of Principal products/ services of Company (Disclosed as per License):

Item Code No (ITC Code)

N	A
---	---

Product description:

- i. Purchase of Electricity.
- ii. Sale of Electricity (Bulk Supply).

For SCM Associates,
Chartered Accountants

(U. K. Panda)
Director (Finance & Corporate Affairs)

(C. J. Venugopal)
Chairman-cum-Managing-Director