

1st Annual Report 2000 - 2001



ORISSA STATE BEVERAGES CORPORATION LIMITED

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**BOARD OF DIRECTORS
AS ON 31.03.2001**

1.	Shri P. C. Mishra, I.A.S.	Chairman-cum-Managing Director
2.	Shri A. K. Tripathy, I.A.S.	Director
3.	Shri G. C. Pati, I.A.S.	Director
4.	Shri J. K. Mohapatra, I.A.S.	Director
5.	Shri U. N. Behera, I.A.S.	Director
6.	Syed Osatullah, I.A.S.	Director

PRESENT BOARD OF DIRECTORS

1.	Shri A. K. Tripathy, I.A.S.	Chairman
2.	Dr. U. Sarat Chandran, I.A.S.	Director
3.	Shri G. Mohan Kumar, I.A.S.	Director
4.	Shri J. K. Mohapatra, I.A.S.	Director
5.	Shri Vijay Arora, I.A.S.	Director
6.	Shri S. N. Sarangi, I.A.S.	Managing Director

COMPANY SECRETARIES :

M/s Saroj Ray & Associates

STATUTORY AUDITORS :

M/S AGASTI & ASSOCIATES,
Chartered Accountants.

BANKERS

STATE BANK OF INDIA
UNION BANK OF INDIA

REGISTERED OFFICE

9th Floor, IDCO Tower,
Janpath, Bhubaneswar - 751009, Orissa



ORISSA STATE BEVERAGES CORPORATION LIMITED

DIRECTORS' REPORT FOR THE SHARE HOLDERS FOR THE YEAR 2000-01

Gentlemen,

Your Directors have pleasure in presenting the First Annual Report of the Corporation with Audited Statement of Accounts for the year ending 31st March 2001.

FINANCIAL HIGHLIGHTS :

Income	Rs. 1,06,70,346.18
Expenditure	Rs. 90,16,138.85
	<u>Rs. 16,54,207.33</u>
Less : Preliminary Expenditure written off.	Rs. 73,422.40
Profit before depreciation of tax	<u>Rs. 15,80,784.93</u>
Less : Depreciation	Rs. 1,66,651.50
Profit after depreciation and tax.	<u>Rs. 14,14,133.43</u>
Less : Provision for tax.	Rs. 4,20,000.00
Profit after tax.	<u>Rs. 9,94,133.43</u>

OPERATIONS :

The Orissa State Beverages Corporation Limited was incorporated under the Companies Act 1956 on 06.11.2000 with the Registrar of Companies, Orissa, Cuttack.

In exercise of the powers conferred by the Section 20 (A) of the Bihar and Orissa Excise Act, 1915, Government of Orissa in Excise Department vide Notification No. 514/Ex dtd/30.01.2001 appointed the first day of February 2001 as the date on and from which the right to carry wholesale trade and distribution of foreign liquor in the state shall solely vest in the State Government and specify that the Orissa State Beverages Corporation Limited shall have the exclusive right and privilege of importing, exporting and carrying on the wholesale trade and distribution of foreign liquor in the state on behalf of the State Government for the whole of the state of Orissa.

During the year, the total income of your Corporation was Rs. 1,06,70,346.18 and the total expenditure was Rs. 92,56,212.75. The net profit for the year is Rs. 9,94,133.43.

Five depots were opened by the Corporation at Bhubaneswar, Balasore, Sambalpur, Rayagada and Berhampur to keep stock of foreign liquor manufactured by various manufacturing units.

**RESOURCES :**

The Corporation had received a share capital of Rs. 2.00 crore from the state government, out of which Rs. 70.00 was as paid-up capital and the balance Rs. 1,99,99,930.00 was as share application money.

MANAGEMENT :

Shri P. C. Mishra, I.A.S. continued to be the Chairman-cum-Managing Director of your Corporation during the year.

EMPLOYEES

Particulars of Employees drawing remuneration exceeding the maximum limit provided u/s 217 (2A) of the Companies Act, 1956.

NIL

AUDITORS :

M/s Agasti & Associates, Chartered Accountant, Bhubaneswar have been appointed by C & AG as auditor for the year 2000-01 vide Notification No. 123/CAV/3/2001 Dt. 4.2.2002.

COMMENTS ON AUDITORS' REPORT

The comments of your Directors on the remarks made by the Statutory Auditor and by the C & AG of India on the Accounts of the Corporation for the year 2000-2001 are enclosed with this report in annexure-I & II respectively.

MEASURES TAKEN FOR CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE / EARNING / OUTGO

NIL

DIRECTORS' RESPONSIBILITY STATEMENT

As required under sub-section 2AA of Section 217 of the Companies Act, 1956, with respect to Directors' Responsibility statement, it is hereby confirmed that :

- i. In the preparation of the Annual Accounts, for the financial year ended 31st March 2001 the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. The Directors had 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 financing year and of the profit or loss of the Company for the year under report.
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the Provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.



- iv. The Directors had prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT :

The Board of Directors place on record their appreciation of full cooperation and continuing support received by the Corporation from various departments of the State Government and various nationalized banks. The Board expresses its sincere appreciation of the services rendered by the officers and staff of the Corporation during the year.

Bhubaneswar

Date : 17.09.2003

Sd/-

(A. K. Tripathy)

Chairman

**ANNEXURE - I**

**COMMENTS OF THE MANAGEMENT ON THE REMARKS OF
THE STATUTORY AUDITORS' REPORT ON THE ACCOUNTS FOR THE YEAR 2000 - 2001**

OBSERVATION OF THE STATUTORY AUDITOR	CLARIFICATION OF THE MANAGEMENT
<p>1. Non-Maintenance of Share Register and Register of Directors. The Share Register and the Register of Directors have not been maintained by the company.</p>	<p>1. Subsequently it has been maintained.</p>
<p>2. Vehicle Loan The Company has drawn a vehicle loan of Rs. 3.93 lacs from Vysya Bank during the year. The loan sanction letter of the Bank indicating its rate of interest and other terms and conditions of the sanction of the loan has not been made available to us for verification for want of which it could not be ascertained whether the loan is secured or unsecured. The adequacy of the amount of payment of interest on such loan could not also be verified. The balance of vehicle loan of Rs. 2.35 lacs as on 31.03.2001 has been shown under current liabilities and provisions in the Balance Sheet instead of showing the amount under Secured or Unsecured Loans, as the case may be.</p>	<p>2. Noted. The loan has already been paid.</p>
<p>3. Retailers Account The net credit balance of Retailers Account of Rs. 16,02,086.00 as on 31.03.2001 has been shown in the Balance Sheet under the head "Advance from customers" instead of showing the debit balance of Rs. 32,864.50 under the head "Sundry Debtors" in the assets side and the credit balance of Rs. 16,34,950.50 under the head "Advance from Customers" in the liabilities side of the Balance Sheet separately.</p>	<p>3. As the retailers are not our debtors, the balance shown correctly as advance to the customers.</p>
<p>4. Verification of Assets : The fixed assets of the company have not been physically Verified by any competent authority during the period under Audit.</p>	<p>4. Subsequently it has been done.</p>



OBSERVATION OF THE STATUTORY AUDITOR	CLARIFICATION OF THE MANAGEMENT
<p>5. Security Deposits : A total amount of Rs. 12,000/- has been deposited as Security Deposit for new telephone connections during the period under audit, out of which Rs. 5.00 only has been debited to security deposit account and rest amount of Rs. 11,995.00 has been charged to Profit & Loss A/c. as a revenue expenditure instead of debiting to security deposit account resulting in a reduction of the net profit of the period to such extent.</p>	<p>5. The Security deposit is treated as Revenue Expenditure and adjusted against the subsequent bills.</p>
<p>6. Purchases from Unusual Dealers The Company has procured fixed assets viz. computers, fax machines, glow sign boards, furniture & fixtures, Xerox machine, electrical equipments etc. worth Rs. 22.26 lacs during the period under audit from the Orissa Consumers Coop. Federation, Bhubaneswar / Bhanjapava, who are not the usual dealers of the materials supplied by them. The Board's approval has not been obtained by the company for making such purchases. Moreover, no quotations / tenders are invited through paper publications for making such purchases at competitive market price.</p>	<p>6. Noted for future guidance.</p>
<p>7. Opening of Bank Account : The Corporation has opened an account and deposited its surplus funds in term deposit in Vysya Bank Ltd., Bhubaneswar, a private Bank, in contravention of the instructions of the Excise Dept., Govt. of Orissa in their letter No. 7257 dtd. 15.12.2002. It is observed that in spite of the instructions of the Excise Dept., Govt. of Orissa in their above letter to open Bank account only with Nationalized Bank having branch at Bhubaneswar or with the State Co-operative Bank, Bhubaneswar. The Board of Directors have approved the opening of a Bank account with Vysya Bank Ltd. in their meeting held on 16.12.2000 violating the government Order. The Board of Directors have also violated the provisions of the Article 40 of the Articles of Association of the Corporation.</p>	<p>7. The Accounts maintained with Vysya Bank, Bhubaneswar have already been closed.</p>



OBSERVATION OF THE STATUTORY AUDITOR	CLARIFICATION OF THE MANAGEMENT
<p>8. Adhesive Labels :</p> <p>The Corporation issued orders vide order No. 129 / SBC dated 08.01.2001 with Orissa Consumers' co-operative Federation Ltd., Bhubaneswar for supply of 20 lacs adhesive labels without the approval of the Board of Directors and Govt. of Orissa, which was quite essential, as printing of adhesive labels is required to be conducted in a Secret Manner with the approved Agency. The adhesive labels were received by the Corporation on 17.02.2001 vide Challan No. 213 dated 17.02.2001, but the stock of has been entered in the Stock Register on 04.05.2001 and has been issued from the said date. The corporation has taken prompt action for printing of the labels in view of emergency by placing orders with O.C.C.F. Ltd., Bhubaneswar, but it is observed that the adhesive labels were used after about 2½ months from the date of receipt. It is now known under whose custody the stock of adhesive labels was lying during the period from 17.02.2001 to 04.05.2001 as the labels are considered to be highly secured papers.</p>	<p>8. Adhesive labels were received by the Corporation on 17.02.2001 vide challan No. 213 dt. 17.02.2001. But this stock has been entered in the stock register of adhesive labels of the Corporation on 4.5.2001. As per the stock register the opening balance as on 01.04.2001 was shown as Nil and the above receipt was entered in the stock register only 04.05.2001, from which date the issues have also started. The stock register was not maintained from 17.02.2001 to 01.04.2001, on which date the opening balance was shown as Nil and first receipt of stock was entered on 04.05.2001.</p>

**ANNEXURE - II**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS
OF ORISSA STATE BEVERAGES CORPORATION LIMITED FOR THE YEAR
ENDED 31ST MARCH 2001.**

COMMENTS OF C & AG	COMMENTS OF THE MANAGEMENT
<p>Balance Assets Current liabilities and provisions Schedule - 7 & 8 Other liabilities Rs. 15.25 lakh</p> <p>1. Above is understand by Rs. 5.79 lakh due to non provision of interest payable for the period from 03.01.2001 to 31.03.2001 in respect of quity advance of Rs. 1 crore from the State Government converted into loan at 24 percent per annum. This correspondingly resulted in overstatement of profit for the year by Rs. 5.79 lakh.</p>	<p>1. Since the Board of Directors felt that the Debt. equity ratio is tilting heavily towards share capital it is desirable to convert half of it to loan. Hence, the Govt. of Orissa, Excise Department was moved for conversion of Rs. 1.00 crore of advance share capital (pending allotment) to interest bearing loan vide letter No. 1339/OSBC dated 12.11.2001. In response to the request of the Corporation the Govt. of Orissa, Excise Deptt. in their letter No. OSBC-16-2000-6352 dtd. 26.10.2002 informed the Corporation that the Govt. has agreed in principle for conversion of Rs. 1.00 crore into loan out of the share capital of Rs. 2.00 crore paid by the Govt. to the Corporation. The Corporation received the letter on 28.10.2002. But the accounts of the Corporation for the year 2000-01 were authenticated in the 9th meeting of Board of Directors of the Corporation held on the same date i.e. 28.10.2002 and as such no provision was possible in the accounts for the year 2000-01.</p>
<p>Notes on Accounts</p> <p>2. The company moved the Government of Orissa in August 2001 for conversion of Rs. 1.75 crore out of Rs. 2 crore "advance share capital pending allotment" into "loan" at higher rate of interest of approximately 24 percent per annum on the grounds that the Corporation did not have any immediate programme of incurring large capital expenditure. The fact being material should have been disclosed in the Notes to Accounts.</p>	<p>2. As stated in para I above the accounts for the year 2000-01 were authenticated in the 9th Board meeting held on 28.10.2002 and the Govt. order for conversion of share money to loan was received by the Corporation on the same date for which it was not possible on the part of the Corporation to disclose this fact on the notes to accounts for the year 2000-01.</p>



COMMENTS OF C & AG	COMMENTS OF THE MANAGEMENT
<p>3. Refer significant Accounting Policies, item no. 6, 'Retirement Benefits of Employees' the Company. The company has accounted for the liabilities towards the 'Retirement Benefits of Employees' on cash basis, which is not conformity with the Accounting Standard - 15 issued by the Institute of Chartered Accountants of India. To this extent, the auditors comment vide item no. (iv) of their Report dated 14.05.2003 is also deficient.</p> <p>Statutory Auditors Report</p> <p>The Statutory Auditors in their Report vide para 8 of Annexure II stated that it was not known under whose custody the stock of adhesive labels was lying during the period from 17.02.2001 to 04.05.2001. This statement is not correct as the fact remained that the labels were received on 17.02.2001 vide challan No. 213 dated 17.02.2001 and stock was very much under the custody of the Company. This fact is further confirmed by the suppliers that it has been charged to the Surplus Pool Account.</p>	<p>3. The company being in the implementation stage had taken employees from Govt. and other organizations on deputation basis. The continuation period of service of the employees is unascertainable. Therefore, the liabilities in respect of gratuity / leave encashment and other retirement benefits were accounted on cash basis. The liability of the gratuity and leave encashment etc. payable to the employees on deputation was to be ascertained / provided / paid on the basis of the terms and conditions of deputation of the deputed employees, which were not received by the Corporation by the time the accounts for the year 2000-01 were closed and no such provision could be made in the accounts for the year 2000-01. Moreover, the company has functioned for only 3 - 4 months during this year and most of the employees joined the Corporation in February and March 2001.</p> <p>4. Adhesive labels were received by the Corporation on 17.02.2001 vide challan No. 213 dt. 17.02.2001. But this stock has been entered in the stock register of adhesive labels of the Corporation on 04.05.2001. As per the stock register the opening balance as on 01.04.2001 was shown as Nil and the above receipt was entered in the stock register only 04.05.2001 from which date the issues have also started. The stock register was not maintained from 17.02.2001 to 01.04.2001, on which date the opening balance was shown as Nil and first receipt of stock was entered on 04.05.2001.</p> <p>There is no 'Surplus Pool Account' of the Corporation. The amount spent for purchase of Adhesive Labels is loss to the Corporation.</p>



NO. 3476 DT. 13.11.2003
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT) - II
ORISSA, BHUBANESWAR

To

31.10.2003

Shri S. N. Sarangi, I.A.S.
Managing Director,
Orissa State Beverages Corporation Ltd.,
9th Floor IDCO Towers, Sahid Nagar,
Bhubaneswar.

Sir,

Please refer to your D.O. No. 1178 dated 08.10.2003 which was received in this office on 10.10.2003. It is rather surprising that the Management or the Statutory Auditor could not clarify the position adequately.

Kindly note that the fact of Adhesive labels (not excise adhesive labels) being charged to the Surplus Pool Account was brought to the notice of both the Management and the Statutory Auditors in the Draft Provisional comment no. 9. Both the Management and the Statutory Auditors have accepted the "Surplus Pool Account" and have not at any stage refuted the fact that it was confirmed by the suppliers.

As you are well aware the 'additional fund generated' on behalf of the suppliers which is nothing but a **surplus** which has **been pooled** by the Corporation and Supplier-wise details have also been maintained. Further, scrutiny of the relevant records, had clearly shown that the cost of adhesive labels of Rs. 1,55,484 was debited to Commission on Sales and credited to Printing & Stationery with the narration "being cost of label adjusted to suppliers against **additional fund generated**" vide **JV No 191 passed on 31.03.2001** which is nothing but a Surplus Account. In the absence of any specific nomenclature used, the same was stated by the generic term i.e. Surplus Pool Account whose nature and content are very clearly understood by all concerned.

This issues with the approval of the Accountant General.

Yours faithfully

Sd/-
Sr. Dy. Accountant General (Coml.)



NO. - 2702 DT. 08.09.2003

DO. NO. CAD - TECH - IR. 238 / 2002 - 03 / 561
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT) - II ORISSA,
BHUBANESWAR

Sub : Comments of the Comptroller & Auditor General of India Under Section 619 (4) of the Companies Act 1956 on the accounts of Orissa State Beverages Corporation Limited for the year ended 31st March 2001.

Dear Shri Sarangi

I am to forward herewith the comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the above mentioned Company for the said year.

Efforts may please be made to adopt the accounts expeditiously by convening the Annual General Meeting at shorter notice instead of 21 days notice period as all members are Government nominees.

Three copies of the Annual Report placed before the Annual General Meeting of the Company may please be furnished to this office indicating the date of the meeting.

Receipt of this letter may please be acknowledged.

Yours sincerely,

Sri S.N. Sarangi, I.A.S.
Managing Director,
Orissa State Beverages Corporation Limited,
9th Floor, IDCO Tower, Janpath,
Bhubaneswar - 751022.

Sd/-
Sri S. N. Sarangi



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT 1956
ON THE ACCOUNTS OF ORISSA STATE BEVERAGES CORPORATION LIMITED
FOR THE YEAR ENDED 31ST MARCH 2001.**

Balance Assets**Current liabilities and provisions****Liabilities (Schedule - 7)****Other liabilities Rs. 15.25 lakh**

1. Above is understated by Rs. 5.79 lakh due to non provision of interest payable for the period from 03.01.2001 to 31.03.2001 in respect of equity advance of Rs. 1 crore from the State Government converted into loan at 24 percent per annum. This correspondingly resulted in overstatement of profit for the year by Rs. 5.79 lakh.

Notes on Accounts

2. The Company moved the Government of Orissa in August 2001 for conversion of Rs. 1.75 crore out of Rs. 2 crore "advance share capital pending allotment" into "loan" at higher rate of interest of approximately 24 percent per annum on the grounds that the Corporation did not have any immediate programme of incurring large capital expenditure. The fact being material should have been disclosed in the Notes to Accounts.

3. Refer significant Accounting Policies, item no. 6 on 'Retirement Benefits of Employees'. The Company has accounted for the liabilities towards the 'Retirement Benefits of Employees' on cash basis which is not in conformity with the Accounting Standard - 15 issued by the Institute of Chartered Accountants of India. To this extent, the auditors comment vide item no. (iv) of their Report dated 14.05.2003 is also deficient.

Statutory Auditors Report

4. The Statutory Auditors in their Report vide para 8 of Annexure II stated that it was not known under whose custody the stock of adhesive labels was lying during the period from 17.02.2001 to 04.05.2001. This statement is not correct as the fact remained that the labels were received on 17.02.2001 vide challan No. 213 dated 17.02.2001 and the stock was very much under the custody of the Company. This fact is further confirmed by the suppliers that it has been charged to the Surplus Pool Account.

Sd/-

**M. NAVEEN KUMAR)
ACCOUNTANT GENERAL**



AGASTI & ASSOCIATES

CHARTERED ACCOUNTANT

Plot No. - 97, Bhoi Nagar, Bhubaneswar

Pin - 751 022, orissa

AUDITORS' REPORT

To
The Members of
Orissa State Beverages Corporation Ltd.,
Bhubaneswar.

We have audited the attached Balance Sheet of Orissa State Beverages Corporation Ltd., as at 31st March, 2001 and also the Profit and Loss Account for the period 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure - I a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;



- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- (v) We report that none of the directors is disqualified as on 31st March, 2001 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon and subject to our comments given in the Annexure - II give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001; and
 - (b) in the case of the Profit and Loss Account, of the profit for the period ended on that date.

Bhubaneswar

Date : 14.05.2003

For AGASTI & ASSOCIATES

Chartered Accountants

Sd/-

P. K. Mahapatra

Partner



ANNEXURE - I TO THE AUDITOR'S REPORT

(Referred to in Paragraph i in our report of even date)

1. A) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
B) The fixed assets of the company have not been physically verified by the management at reasonable intervals during the year.
2. None of the fixed assets of the company have been revalued during the year.
3. As the company does not have stock of finished goods, stores, spare parts and raw materials of its own, the question of physical verification of such materials does not arise.
4. The company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 and / or 370 (IB) of the Companies Act, 1956.
5. The company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 and / or 370 (IB) of the Companies Act, 1956.
6. Loans and advances in the nature of loan have not been given by the company to any party during the year.
7. In our opinion and according to the information and explanations given to us, the Company does not have purchases of stores, raw materials including components etc., no adequate internal control procedure and sale of goods has been framed by the company for such purchases and sales. The company purchases office equipments, furniture & fixture and other assets for which no adequate internal control procedure commensurate with the size of the company and the nature of its business has been framed.
8. In our opinion and according to the information & explanations given to us, the company has not purchased any goods and materials, nor sold any goods, materials and services in pursuance of contracts or arrangements aggregating during the year to Rs. 50,000/- or more, entered in the register maintained under Section 301 of the Companies Act, 1956.
9. In our opinion and according to the information & explanations given to us, as the company does not have any stores, raw materials or finished goods, the question of determination of any unserviceable or damaged goods does not arise.



10. The company has not accepted any deposits from the public during the year within the meaning of section 58 A of the Companies Act, 1956 and the rules framed there under.
11. As the company does not have sale and disposal of realizable by products and scraps, the question of maintenance of any records by the company does not arise.
12. There is no internal audit system of the company in existence during the year.
13. As explained to us, maintenance of cost records has not been prescribed by the Central Government to the company under Section 209 (I) (d) of the companies Act, 1956.
14. As explained to us, as this happens to be the first year of operation of the company, the Provident Fund dues of the employees have been deducted from the salary bill of March, 2001 and hence the question of deposit of such dues during the year does not arise.
15. In our opinion and according to the information and explanations given to us, there is no undisputed outstanding amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty as at 31st March, 2001 for a period of more than 6 months from the date they became payable, as the company came into existence only in November, 2000.
16. In our opinion and according to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligation or in accordance with generally accepted business practice.
17. In our opinion and according to the information & explanation given to us, the company is not a sick industrial company within the meaning of Clause (O) Sub-Section (I) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.

Bhubaneswar

Date : 14.05.2003

For AGASTI & ASSOCIATES

Chartered Accountants

Sd/-

P. K. Mahapatra



ANNEXURE - II TO THE AUDITOR'S REPORT (Referred to in Paragraph 2 in our report of even date)

1. Non-Maintenance of Share Register and Register of Directors :

The Share Register & the Register of Directors have not been maintained by the company.

2. Vehicle Loan :

The Company has drawn a vehicle loan of Rs. 3.93 lacs from Vysya Bank during the year. The loan sanction letter of the Bank indicating its rate of interest and other terms and conditions of the sanction of the loan has not been made available to us for verification for want of which it could not be ascertained whether the loan is secured or unsecured. The adequacy of the amount of payment of interest on such loan could not also be verified.

The balance of vehicle loan of Rs. 2.35 lacs as on 31.03.2001 has been shown under Current Liabilities & Provisions in the Balance Sheet instead of showing the amount under Secured or Unsecured Loans, as the case may be.

3. Retailers Accounts :

The net credit balance of Retailers Account of Rs. 16,02,086.00 as on 31.03.2001 has been shown in the Balance Sheet under the head "Advance from Customers" instead of showing the debit balance of Rs. 32,864.50 under the head "Sundry Debtors" in the assets side and the credit balance of Rs. 16,34,950.50 under the head "Advance from Customers" in the liabilities side of the Balance Sheet separately.

4. Verification of Fixed Assets :

The fixed assets of the company have not been physically verified by any competent authority during the period under audit.

5. Security Deposits :

A total amount of Rs. 12,000.00 has been deposited as Security Deposit for new telephone connections during the period under audit, out of which Rs. 5.00 only has been debited to security deposit account and rest amount of Rs. 11,995.00 has been charged to Profit and Loss A/c. as a revenue expenditure instead of debiting to security deposit account resulting in a reduction of the net profit of the period to such extent.

6. Purchases from Unusual Dealers :

The company has procured fixed assets viz. computers, fax machines, glow sign boards, furniture and fixtures, xerox machine, electrical equipment etc. worth Rs. 22.26 lacs during the period under audit from the Orissa consumers Coop. Federation, Bhubaneswar / Bhanjaprava, who are not the usual dealers of the materials



supplied by them. The Board's approval has not been obtained by the company for making such purchases. Moreover, no quotations / tenders are invited through paper publications for making such purchases at competitive market prices.

7. Opening of Bank Account :

The Corporation has opened an account and deposited its surplus funds in term deposit in Vysya Bank Ltd., Bhubaneswar, a private Bank, in contravention of the instructions of the Excise Dept., Govt. of Orissa in their Letter No. 7257 dated 15.12.2000. It is observed that in spite of the instructions of the Excise Dept., Govt. of Orissa in their above letter to open Bank account only with Nationalised Bank having branch at Bhubaneswar or with the State Co-operative Bank, Bhubaneswar, the Board of Directors have approved the opening of a Bank account with Vysya Bank Ltd. in their meeting held on 16.12.2000 violating the Government order. The Board of Directors have also violated the provisions of the Article 40 of the Articles of Association of the Corporation.

8. Adhesive Labels :

The Corporation issued orders vide order number 129 / OSBC dated 08.01.2001 with Orissa Consumers' Co-operative Federation Ltd., Bhubaneswar for supply of 20 lacs adhesive labels without the approval of the Board of Directors and the Govt. of Orissa, which was quite essential, as printing of adhesive labels is required to be conducted in a secret manner with the approved agency. The adhesive labels were received by the corporation on 17.02.2001 Vide Challan No. 213 dated 17.02.2001, but the Stock has been entered in the Stock Register on 04.05.2001 and has been issued from the side date. The corporation has taken prompt action for printing of the labels in view of emergency by placing orders with O.C.C.F. Ltd., Bhubaneswar, but it is observed that the adhesive labels were used after about 2½ months from the date of receipt. It is not known under whose custody the stock of adhesive labels was lying during the period from 17.02.2001 to 04.05.2001 as the labels are considered to be highly secured papers.

9. Re-certification of Annual Accounts :

On the advice of the A.G., Orissa the accounts of the corporation for the year 2000-01 have been re-authenticated by the Board of Directors of the Corporation in their meeting held on 26.03.2003 and submitted to us on 14.05.2003 for re-certification. The same have been re-certified by us on the same date.

Bhubaneswar
Date : 14.05.2003

For AGASTI & ASSOCIATES
Chartered Accountants

Sd/-
P. K. Mahapatra
Partner



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR

BALANCE SHEET AS AT 31/03/2001.

PARTICULARS	SCHEDULE NO.		AS AT 31/03/2001
Sources of Funds			
(1) Share Holder's Funds :			
(a) Share Capital	1		20,000,000.00
(b) Reserves and Surplus	2		994,133.43
TOTAL			20,994,133.43
Application of Funds			
(1) Fixed Assets :			
(a) Gross Block	3		
(b) Less : Depreciation		3,635,303.50	
(c) Net Block		166,651.50	3,468,652.00
(2) Current Assets, Loans & Advances :			
(A) Current Assets :			
(1) Cash and Bank Balances	4	106,106,958.60	
(2) Other Current Assets	5	341,422.00	
(3) Loans and Advances	6	3,105,477.80	
		109,553,858.40	
Less : Current Liabilities and Provisions :			
(A) Liabilities	7	91,902,066.57	
(B) Provisions	8	420,000.00	
		92,322,066.57	
Net Current Assets :			17,231,791.83
(3) Miscellaneous Expenditure to the Extent Not Written off or Adjusted Preliminary Expenditure			
TOTAL			293,689.60
			20,994,133.43

Schedule 1 to 14 and and Significant Accounting Policies & Explanatory notes annexed hereto form part of the Balance Sheet and Profit & Loss Account

As per report attached
For Agasti & Associates
 Chartered Accountants

Sd/-
 P.K. Mahapatra
 PARTNER

Sd/-
 Mrs. A. Das Pattanaik
 General Manager (F) I/C

Sd/-
 J.P. Dash
 Managing Director

Sd/-
 S. Osatulah
 Director

Bhubaneswar
 Date: 14.05.2003



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR**

Profit & Loss Account for the Period ended on 31/03/2001

PARTICULARS	SCHEDULE NO.	FIGURE FOR THE PERIOD ENDED 31/03/2001
Income		
Commission on Sales		9,957,334.18
Export Permit Pass Commission		29,325.00
Interest on Term Deposit		330,417.00
Registration Fee Collected		206,850.00
Cash Discount		146,420.00
	TOTAL INCOME	10,670,346.18
Expenditure		
Advertisement & Business Development	9	297,502.00
Communication & Development	10	88,722.25
Godown Rent		405,525.90
Godown Maintenance		26,523.20
Office Rent		505,662.00
Office Maintenance	11	221,177.30
Professional & Legal Charges	12	132,751.40
Contribution to GSLI		980.00
Contribution to Provident Fund		40,126.00
Salary & Wages	13	608,571.30
Vehicle Maintenance		28,070.80
Travelling & Conveyance		33,203.50
Hire Charges of Vehicle		128,640.80
Audit Fees		8,400.00
Audit Expenses		5,000.00
Insurance Premium		18,802.00
Licence Fees		5,543,659.00
Printing & Stationery		203,107.75
Repair & Maintenance		72,317.00
Security Service Charges		530,394.40
Financial Charges		117,002.25
Preliminary Expenses written off	14	73,422.40
Depreciation		166,651.50
	TOTAL EXPENDITURE	9,256,212.75
NET PROFIT / (LOSS) FOR THE PERIOD CARRIED FORWARD BEFORE TAX		1,414,133.43
Less : Provision for Income Tax		420,000.00
Net Profit Transferred To Balance Sheet		994,133.43
Schedules 1 to 14 Significant Accounting Policies & Explanatory notes annexed hereto form part of the Balance Sheet and Profit & Loss Account		
As per report attached		
For Agasti & Associates		
Chartered Accountants		
Sd/-	Sd/-	Sd/-
P.K. Mahapatra	Mrs. A. Das Pattanaik	J.P. Dash
PARTNER	General Manager (F) I/C	Managing Director
Bhubaneswar		S. Osatulah
		Director
Date : 14.05.2003		



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULE FORMING PART OF BALANCE SHEET

SCHEDULE - 1 : SHARE CAPITAL

	AS AT 31/03/2001	
	RS.	P.
AUTHORISED :		
50,00,000 Equity Shares of Rs. 10/- Each	50,000,000.00	
ISSUED SUBSCRIBED & PAID UP CAPITAL :		
7 Equity shares of Rs. 10/- each		70.00
Advance Share Capital Pending Allotment		19,999,930.00
TOTAL	<u>20,000,000.00</u>	

SCHEDULE - 2 : RESERVE & SURPLUS

Net Profit for the Period Transferred	994,133.43
TOTAL	<u>994,133.43</u>

SCHEDULE - 3 : FIXED ASSETS

Sl.No.	Item	Gross Block	Depreciation for the period ended 31/03/2001	Net Block (Written Down value as at 31/03/2001)
1.	Air Conditioner	299,700.00	9,860.51	289,839.49
2.	Computer	1,270,187.00	58,195.39	1,211,991.61
3.	Furniture & Fixture	1,142,732.50	51,803.90	1,090,928.60
4.	Electrical Fittings	222,409.00	5,883.59	216,525.41
5.	Office Equipment	307,434.00	6,077.11	301,356.89
6.	Vehicle	392,841.00	34,831.00	358,010.00
	TOTAL	3,635,303.50	166,651.50	3,468,652.00



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR**

CURRENT ASSETS, LOANS AND ADVANCES

SCHEDULE - 4 : CASH AND BANK BALANCES

AS AT 31/03/2001

	RS.	P.
(a) Cash in Hand	2,558.30	
(b) Cheques in Hand & Transit	8,969,989.00	
(c) Balances with Scheduled Banks		
(1) In Current Account	77,134,411.30	
(2) In Term Deposits	20,000,000.00	
TOTAL	106,106,958.60	

SCHEDULE - 5 : OTHER CURRENT ASSETS

	RS.	P.
(a) Security Deposits	11,005.00	
(b) Accrued Interest on Term Deposits	225,740.00	
(c) Income Tax Deducted at Source (Receivable)	74,677.00	
TOTAL	341,422.00	

SCHEDULE - 6 : LOANS AND ADVANCES

	RS.	P.
(Advances recoverable in cash or in kind or for value to be received) (Unsecured considered good)		
(a) Advance to Employees	28,309.80	
(b) Advance Income Tax	500,000.00	
(c) Prepaid Insurance	165,168.00	
(d) Other Advances	2,412,000.00	
TOTAL	3,105,477.80	

CURRENT LIABILITIES AND PROVISIONS

SCHEDULE - 7 : CURRENT LIABILITIES

AS AT 31/03/2001

	RS.	P.
1. Sundry Creditors	74,145,155.12	
2. Other Liabilities		
(i) Security Deposits Received	4,100,000.00	
(ii) Additional Security Deposits	556,873.50	
(iii) Duties & Taxes Payable to Govt. of Orissa	7,834,007.45	
(iv) Advance from Customers	1,602,086.00	
(v) Vehicle Loan	235,192.00	
(vi) Provident Fund Dues	40,126.00	
(vii) Dues under Group Saving Linked Insurance Scheme	980.00	
(viii) Registration fee Pending Allocation	1,861,650.00	
(ix) Other Liabilities	1,525,996.50	
TOTAL	91,902,066.57	

**SCHEDULE - 8 : PROVISIONS**

Provisions for Income Tax (2000 - 2001)	RS. P.
	420,000.00
TOTAL	420,000.00

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**SCHEDULE - 9 : ADVERTISEMENT & BUSINESS DEVELOPMENT**

For the Period ended on 31/03/01

Advertisement	RS. P.
Business Meeting Exp.	279,145.00
Business Promotional Exp.	10,215.00
	8,142.00
TOTAL	297,502.00

SCHEDULE - 10 : COMMUNICATION & DEVELOPMENT

Postage & Telegram Exp.	RS. P.
Telephone Charges	1,078.00
Website Development Expenses	46,444.25
	41,200.00
TOTAL	88,722.25

SCHEDULE - 11 : OFFICE MAINTENANCE

Computer Softwares	RS. P.
Electric Charges	35,006.00
Office Expenses	117,341.00
Misc. Office Expenses	46,495.45
Office Maintenance	7,165.00
	15,169.85
TOTAL	221,177.30

SCHEDULE - 12 : PROFESSIONAL & LEGAL CHARGES

Chartered Accountant's Retainer Fee	RS. P.
Company Secretary's Retainer Fee	15,750.00
Legal Charges	9,000.00
	108,001.40
TOTAL	132,751.40

SCHEDULE - 13 : SALARIES & WAGES

Accounting Service Charges	RS. P.
Leave Encashment	25,581.00
Misc. Wages paid	13,800.00
Salary & Allowances	3,400.00
	565,790.30
TOTAL	608,571.30

SCHEDULE - 14 : FINANCIAL CHARGES

Bank Charges	RS. P.
Interest on Car Loan	94,851.25
	22,151.00
TOTAL	117,002.25



SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS

Significant Accounting Policies

1. Basis of Preparation of Financial Statements :

- a) The accounts are drawn up on a historical cost convention and on accrual basis in accordance with the applicable Accounting Standards published by the Institute of Chartered Accountants of India except otherwise stated here below :
- b) The Company follows mercantile system of accounting and recognises Income and Expenditure on Accrual basis.

2. Revenue Recognition and Expenditure Allocation

- a) Commission on sale are recognised on completion of sale of goods on behalf of the supplier and are recorded net off sales tax, entry tax and surcharge on sales tax, if any.
- b) Cash discounts received / receivables are recognised on month to month basis based on the Actual Payment made to supplier net off the duty & taxes and reinvestment in duties, if any.
- c) Registration fee collected from Retailers & Suppliers are recognised as income over a period of 10 accounting periods.
- d) The Expenditures are allocated and charged to respective expenditure heads as and when accrued / spent for the period of the financial statements.
- e) The Preliminary & Pre-operative expenditures of Rs. 367112 as reported by the Excise Dept. is amortised over a period of 5 Accounting periods.

3. Fixed Assets :

Fixed Assets are stated at cost including the incidental expenditure incurred to acquire the fixed assets.

4. Depreciation :

Depreciation is charged on all depreciable assets on the basis of written down value method as per the rates prescribed in Schedule XIV of the Companies Act, 1956 as amended from time to time.

5. Inventories :

As per the agreement between the company and the supplier, the stocks held in the godowns of the company are the stock of the supplier, the company will only earn commission on sales made on behalf of the supplier.



6. Retirement Benefits of Employees :

The Company being in the implementation stage has taken employees from government and other organization on deputation basis. The continuation, period of service of the employees are unascertainable therefore the liabilities in respect of gratuity / leave encashment and other retirement benefits are accounted on cash basis.

Notes Forming part of Accounts

1. This is the first year of operation and hence the previous year's figures are not given.
2. The payments made to State Excise Department for obtaining the Licence for Procurement of IMFL & BEER is considered as additional security received from the Respective Suppliers and considered in the Financial statement as additional security deposits net off the payments made to Excise Department.
3. The Balance confirmations from various bankers, retailers & suppliers are not obtained.
4. The reconciliations of sales tax collected and sales tax paid, entry tax collected and entry tax paid, retailer balance, supplier balance are on progress.
5. Sales made on behalf of the supplier during the year is credited to respective suppliers account after adjusting the sales tax, entry tax, company's margin and cash discount, if any.
6. Income tax provision is made on the total profit considering the depreciation allowance applicable as per the Income Tax Rule.
7. One Tenth of the Registration fee collected from Retailers & Suppliers are recognised as income of the current year, the balance kept as advance registration fee collected.
8. One Fifth of the Preliminary Expenditure is amortised during the current year.
9. Advance against customers is showing a Credit Balance of Rs. 16,34,950.50 and Debit Balance of Rs. 32,864.50. The same has been taken in the balance sheet as Advance from Customer at Rs. 16,02,086.00 (net off balance).
10. Salary and wages includes Rs. 1,13,335.00 paid as salary to Chairman-cum-Managing Director.
11. (a) Employees employed throughout the year and were in receipt of remuneration not less than Rs. 3,00,000.00.

(i) No. of Employees.	:	NIL
(ii) Salary & Wages	:	NIL
(iii) Corporations' Contribution to provident & other funds.	:	NIL
- (b) Employees employed throughout the year and were in receipt of remuneration not less than Rs. 25,000.00 per month.

(i) No. of Employees.	:	One
(ii) Salary & Wages	:	Rs. 1,13,335.00
(iii) Corporations' Contribution to provident & other funds.	:	NIL



PART - IV
Balance Sheet Abstract and Company's Business Profile

Registration Details

Registration No. 15-006372

State Code - 15

(Refer code List 1)

Balance Sheet Date

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

Date Month Year

II. Capital Raised During the Year (Amount in Rs. Thousands)

Public Issue

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

Right Issue

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

Bonus Issue

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

Private Placement

				2	0	0	0	0	0
--	--	--	--	---	---	---	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Thousands)

Total Liabilities

				2	0	9	9	4	
--	--	--	--	---	---	---	---	---	--

Total Assets

				2	0	9	9	4	
--	--	--	--	---	---	---	---	---	--

IV. Sources of Funds

Paid-up Capital

				2	0	0	0	0	
--	--	--	--	---	---	---	---	---	--

Reserves & Surplus

							9	9	4
--	--	--	--	--	--	--	---	---	---

V. Application of Funds

Net Fixed Assets

				3	4	6	8		
--	--	--	--	---	---	---	---	--	--

Investments

--	--	--	--	--	--	--	--	--	--

Net Current Assets

				1	7	2	3	2	
--	--	--	--	---	---	---	---	---	--

Misc. Expenditure

							2	9	4
--	--	--	--	--	--	--	---	---	---

Accumulated Losses

--	--	--	--	--	--	--	--	--	--

VI. Performance of Company (Amount in Rs. Thousands)

Turnover

				1	0	6	7	0	
--	--	--	--	---	---	---	---	---	--

Total Expenditure

				9	2	5	6		
--	--	--	--	---	---	---	---	--	--

+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

 Profit /Loss Before Tax

				1	4	1	4		
--	--	--	--	---	---	---	---	--	--

+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

 Profit /Loss After Tax

				9	9	4			
--	--	--	--	---	---	---	--	--	--

(Please tick Appropriate box, + for profit, - for Loss)
Earning Per Share in Rs.

Dividend Rate %

V. Generic Names of three principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)

I	M	F	L	&	B	E	E	R	
---	---	---	---	---	---	---	---	---	--

Note - Paid up Share Capital Rs. 2,00,00,000/- includes Rs. 70.00 paid up Share Capital and Rs. 199, 99, 930/- Advance Share Capital pending allotment