

**5th Annual Report
2004-2005**



ORISSA STATE BEVERAGES CORPORATION LIMITED



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BOARD OF DIRECTORS AS ON 31.03.2005

1.	Shri A. K. Samantaray, I.A.S.	Chairman
2.	Shri B. K. Pattanaik, I.A.S.	Director
3.	Shri Pramoda Kumar Mishra, I.A.S	Director
4.	Shri Pradip Kumar Jena, I.A.S.	Director
5.	Shri Syed Osatullha, I.A.S.	Director
6.	Shri S.N. Sarangi, I.A.S.	Managing Director

PRESENT BOARD OF DIRECTORS

1.	Shri G. V. V. Sarma, I.A.S.	Chairman
2.	Shri A. P. Padhi, I.A.S.	Director
3.	Shri B. K. Pattanaik, I.A.S.	Director
4.	Shri Sudarsan Nayak, I.A.S.	Director
5.	Shri K. C. Mishra O.A.S (S)	Director
6.	Shri Soumya Prasad Misra, I.A.S.	Managing Director

COMPANY SECRETARIES:

M/s. Saroj Ray & Associates
Company Secretaries
737/10, Jayadev Vihar,
Bhubaneswar - 751013

STATUTORY AUDITORS:

M/s. Bhasin Hota & Co,
Chartered Accountants,
N. B. Tower, 2nd Floor
Nayapalli, Bhubaneswar - 751012

BANKERS :

Union Bank of India
State Bank of India
IDBI Bank Limited

REGISTERED OFFICE:

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



DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR 2004-05

Sir / Madam,

Your Directors have pleasure in presenting the Fifth Annual Report of the Corporation with Audited Statements of Accounts for the year ended on 31st March 2005.

FINANCIAL HIGHLIGHT :

The financial results of the Company for the year ended 31st March 2004 vis-a-vis 31st March 2005 are :

Particular	For the year ended 31.03.2005 Amount in Rs.	For the Year ended 31.03.2004 Amount in Rs.
Income	255,396,333.18	152,202,710.77
Expenditure	224,951,948.76	140,514,176.30
Less : Preliminary Expenditure written off	73,422.40	73,422.40
Add/ (Less): Prior period Income / Expenses	107,319.00	684,168.00
Profit before depreciation and tax	30,478,281.02	12,299,280.07
Less : Deprecation	1,910,743.02	2,341,846.30
Profit after depreciation and before tax	28,567,538.00	9,957,433.77
Less : Provision for tax	10,484,045.73	3,625,458.00
Profit after tax	18,083,492.27	6,331,975.77

OPERATIONS :

The Orissa State Beverages Corporation Limited was incorporated under the Companies Act, 1956 on 6th November 2000 with the Registrar of Companies, Orissa, Cuttack

The Corporation is vested with 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. 255,396,333.18 and the total expenditure was Rs. 226,936,114.18. The net profit for the year is Rs. 18,083,492.27.



The Corporation has six depots at Khurda, Balasore, Sambalpur, Rayagada, Berhampur and Cuttack to keep stock of IMFL / Beer manufactured by various manufacturing units.

RESOURCES :

The Authorized Share Capital and paid-up equity capital of your Corporation remained at Rs.5.00 Crores and Rs. 1.00 Crore respectively. Government of Orissa and its nominee hold the entire equity share capital of the Corporation.

MANAGEMENT :

Sri A. K. Samantaray, IAS, continued as the Chairman. During the year Sri Ajit Kumar Tripathy, IAS & Sri Trun Kanti Mishra, IAS ceased from Chairmanship of the Corporation. Sri Sailendra Narayan Sarangi, IAS continued as Managing Director.

Sri B. K. Pattanaik, IAS, Sri Pradip Kumar Jena, IAS, Sri Promode Kumar Mishra, IA & AS, and Sri Syed Osatullha , IAS continued as Directors of the Corporation during the financial year. Sri Vijaya Arora, IAS, Sri Upendra Prasad Singh, IAS, Dr. U. Sarat Chandran, IAS ceased to be Directors of Corporation during the financial year.

EMPLOYEES :

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, none of the Employees are in receipt of Rs. 2,400,000/- per annum or more than Rs. 200,000/- per month during the financial year ending on 31st day of March 2005.

AUDITORS :

M/s Bhasin Hota & Co., Chartered Accounts, Bhubaneswar have been appointed by C & AG as auditors for the year 2004-05 vide Letter No. V/3-2001 Dtd. 30.05.2006

COMMENTS ON AUDITORS' REPORT :

The comments of your Management on the remarks made by the Statutory Auditor and the C & AG of India on the Accounts of the Corporation for the year 2004-2005 are enclosed with this report in Annexure - I & II respectively.

SECRETARIAL COMPLIANCE CERTIFICATE :

As per proviso to sub-section(1) of Section 383 A of the Companies Act, 1956, we are hereby enclosing a Secretarial Compliance Certificate for the year ended 31st March 2005 with this report in Annexure - III.



MEASURES TAKEN FOR CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO :

Considering the nature of business of the Orissa State Beverages Corporation Limited, information relating to the provisions of section 217(1)(e) of the Companies Act, 1956 and the rules made there under in respect of the information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo is 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 :

1. In the preparation of the Annual Accounts, for the year ended 31st March 2005 the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied consistently and made judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit or loss of the Company for the year under report.
3. The Directors had taken proper and sufficient care for 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.
4. The Directors had prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT :

The Board of Directors place on record their appreciation of full co-operation 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. The Board expresses its sincere thanks to all the suppliers, who have rendered all possible co-operations for growth of turnover and profitability of the Corporation.

Place : Bhubaneswar
Date : 11.03.2008

On behalf of the Board

Sd/-
(G. V. V. SARMA, IAS)
CHAIRMAN



Replies of the Management on the Comments of the Statutory Auditors.

<u>COMMENTS OF THE STATUTORY AUDITOR</u>	<u>REPLY OF MANAGEMENT</u>
<p>1. <u>Provision for Income Tax Rs. 1,04,84,045.73</u></p> <p>The provision for income tax should have been made of Rs. 1,04,53,576.34 instead of Rs. 1,04,84,045.73 as a result of which the profit for the year 2004-05 has been understated by Rs. 30,469.39.</p>	<p>1. Excess Provision for Income Tax amounting to Rs. 30,469.39 made for financial year 2004-05 shall be reversed back in the subsequent financial year.</p>
<p>2. <u>Entry Tax payable & Entry Tax Receivable</u></p> <p>Entry Tax payable account shows the debit balance of Rs. 84,979.52 as the Corporation has first deposited the same on behalf of the suppliers for the stock supplied by them, which is subsequently recovered on disposal of liquor to retailers. As entry tax is recovered on the carry over stock at the revised landing price. This differential entry tax so recovered is payable to government which has not been quantified by the Corporation. The Corporation could not furnish the list of the suppliers in respect of which entry tax has been paid.</p> <p>Entry Tax Receivable account shows the balance of Rs.6,01,521.33 at the end of the year. However the list of the suppliers could not be furnished by the Corporation from whom entry tax to be recovered.</p>	<p>2. Noted for future compliance.</p>
<p>3. <u>Registration fees from the suppliers Rs.30,38,730/</u></p> <p>In view of change in the accounting policy w.e.f. Financial year 2003-04, registration fees pending allocation of Rs. 1,936,730/-a should be shown as prior period income instead of current year's income in the Profit & Loss account for the financial year 2004-05.</p>	<p>3. Noted for future compliance.</p>



4. Advance to Employees Rs.3,14,815.90

The above said advance was paid earlier to respective depots as imperest advance, which are yet to be recovered. An amount of Rs. 2,79,012.40 is being continued in the Balance Sheet for a long period under the head of "Advance to Employees" and no steps have been taken by the Corporation for its recovery.

Detail list of which is given below;

Name of the Dept	Year of Payment	Amount (Rs)
Head office Mr. S.K.Sahoo	2003-04	855.75
Balasore	2001-02	50,000.00
Berhampur	2001-02	48,004.75
Manguli	2001-02	50,000.00
Pahal	2001-02	3,627.30
Rayagada	2001-02	51,127.60
Sambalpur	2001-02	75,397.00
	Total	279012.40

4. The management has taken it into consideration and necessary precaution will be taken in this regard in the subsequent years.

5. Reconciliation of Sundry Debtors & Sundry Creditors.

Reconciliation of Sundry Debtors & Sundry Creditors has not been made by the Corporation and the balance confirmation certificates have not been obtained in this context.

5. Reconciliation is under progress and it is noted for future guidance.

6. Cash Discount;

The details of Sundry Creditors of Rs.16,81,36,149.81 is shown in the Balance Sheet as on 31.03.05. Corporation could have earned a good amount of Cash Discount if the payment will be made in compliance with the terms & conditions mentioned in the agreement.

6. Noted.

7. Management

During the audit we faced lot of problems to get the co-operation in obtaining information, documents and other related records in time for the purpose of audit due to lack of adequate staffs. More of the officers are on deputation and having dual charge. The person working in computer for accounts job

are also in the contractual basis. As the growth of the Corporation has increased manifold permanent professionals should be deployed in the interest of the Corporation. Necessary steps have been taken to fill up the existing vacancies.



**OFFICE OF THE ACCOUNTANT GENERAL
(COMMERCIAL WORKS & RECEIPT AUDIT)
ORISSA, BHUBANESWAR**

No. CAD (T)/Accts/ OSBC/2004-05/30/07-08/736
Date : 21.01.2008

To

The Managing Director,
Orissa State Beverages Corporation Limited,
9th Floor, IDCO Towers, Sahid Nagar,
Bhubaneswar- 751007

Sub : Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Orissa State Beverages Corporation Limited for the year ended 31st March 2005.

Sir,

I forward herewith the Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Orissa State Beverages Corporation Limited for the year ended 31st March 2005.

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

Yours faithfully,

Sd/-

(ATREYEE DAS)
ACCOUNTANT GENERAL



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 2005.

The preparation of financial statements of the Orissa State Beverages Corporation Limited for the year ended 31st March 2005 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17th October 2007.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of the Orissa State Beverages Corporation Limited for the year ended 31st March 2005. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report :

Balance Sheet

Sources of funds

Current Liabilities and Provisions

Current Liabilities (Schedule-9)

Duties and Taxes payable to Government of Orissa : Rs.8.8. crore

1. This does not include Rs. 13.72 lakh being the entry tax payable in respect of consignments brought into the godowns of the Company in March 2005 on behalf of the suppliers. The above entry tax is also recoverable from the concerned suppliers.



Non-accountal has resulted in understatement of both current liabilities and current assets by Rs.13.72 lakh.

Significant Accounting Policies.

2. The cash discount of Rs. 3.40 crore credited to Profit and Loss Account includes Rs. 1.86 crore for the year 2004-05 which is not in conformity with Para-2(b) of the accounting policy and Para-14 of Notes forming part of Accounts to the extent that cash discount was computed provisionally and not on actual net payment basis.

Notes forming part of Accounts.

3. (i) The additional demand of Rs. 2.50 crore towards Sales Tax for the year 2001-02 against which the Company has filed an appeal in High court was not disclosed in Para-18 of Notes on Accounts.
- (ii) The Company has not disclosed service tax liability for the period August 2002 to March 2005 demanded by the Commissioner, Service Tax, Bhubaneswar and disputed by the Company. The amount worked out by audit was Rs. 3.34 crore.

**For and on behalf of
the Comptroller and Auditor General of India**

**Sd/-
(ATREYEE DAS)
ACCOUNTANT GENERAL**

**Place : Bhubaneswar
Date : 21.01.2008**



Replies of the Management on the Comments of the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956

Comments of the C & AG of India	Replies of the Management.
Balance Sheet Sources of funds Current Liabilities & Provisions Current Liabilities (Schedule - 9) Duties and Taxes Payable to Government of Orissa Rs. 8.80 Crore	1. The matter is being scrutinized by the Corporation and necessary adjustment will be made in the accounts in subsequent years after due scrutiny.
1. This does not include Rs 13.72 Lakh being the entry tax payable in respect of consignments brought into the godowns of the company in March 2005 on behalf of the suppliers. The above entry tax is also recoverable from the concerned supplier. Non-accountal has resulted in understatement of both current liabilities and current assets by Rs. 13.72 lakhs.	
Significant Accounting Policies. 2. The cash discount of Rs. 3.40 Crore credited to Profit & Loss Account includes Rs.1.86 Crore for the year 2004-05 which is not in conformity with Para-2(6) of the Accounting Policy to the extent that cash discount was computed provisionally and not on actual net payment basis. Notes forming part of Accounts.	2. Since the Corporation has no such software / package, it is difficult to compute the cash discount on net payment actual basis. Corporation calculates the cash discount on average payment basis. However the matter is noted for future guidance.
3.(i) The additional demand of Rs.250.33 Lakh towards Sales Tax for the year 2001-02 against which the Company has filed an appeal in High Court which has not been disclosed in Para-18 of Notes on Accounts.	4. (i) Though the said matter was mentioned in the last sentence in Para-18 of Notes on Accounts. However, an amount of Rs. 250.33 Lakhs is inadvertently left to be mentioned in the notes on accounts. Hence it is noted for future guidance.
(ii) The Company has not disclosed service tax liability for the period August 2002 to March 2005 demanded by the Commissioner, Service tax, Bhubaneswar-I & II and disputed by the company. The amount worked out by audit was Rs. 3.34 Crore.	(ii) The matter was under consideration of the Board and actual amount to be paid as service tax was not quantified by the Corporation till end of the audit. However, it is noted for future compliance.



SAROJ RAY & ASSOCIATES
COMPANY SECRETARIES

Plot No - 737/19A, Jaydev Vihar
Bhubaneswar - 751 013, Orissa
Ph.:(0674)2360840, 2360841
Fax : (0674)2360840
E-m: sarojkray@rediffmail.com

COMPLIANCE CERTIFICATE

Regd. No. of the Company : 15-006372

Normal Capital : Rs. 500,00,000/-

To
The Members,
M/s. Orissa State Beverages Corporation Limited
9th Floor, IDCO Tower,
Bhubaneswar - 751007.

We have examined the registers, records, books and papers of **M/s. Orissa State Beverages Corporation Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provision contained in the Memorandum and Articles of Association of the Company for the financial year ending on 31st Mar 2005. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its Officers and agents, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure-'A' to this certificate as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure-'B' to this certificate with the Registrar of Companies, Orissa within the time prescribed under the Act and the rules made there under.
3. The Company being Private Limited Company has the minimum prescribed paid up capital and its maximum number of members during the financial year was 8 (Eight) excluding its present and past employees and the company during the year under scrutiny:



SAROJ RAY & ASSOCIATES
COMPANY SECRETARY

Continuation Sheet.....

- i. has not invited public to subscribe for its shares or debentures; and
 - ii. has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of Directors duly met 4 (four) times on 21.06.2003, 20.08.2003, 29.12.2003 & 25.03.2004 being the dates in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes book maintained for the purpose.
5. The Company has not required closing its Register of Members during the financial year.
6. The annual general meeting for the financial year ended on 31st March 2004 was held on 30th September 2004 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the financial year ended 31st March 2005.
8. The Company being a private company, Section 295 of the Act is not applicable.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.



SAROJ RAY & ASSOCIATES
COMPANY SECRETARY

Continuation Sheet.....

11. As there were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approval from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year under scrutiny.
13. The Company has:
 - (i) issued share certificates on transfer of shares during the year under scrutiny.
 - (ii) not deposited any amount in separate Bank Account, as no dividend was declared during the financial year.
 - (iii) not required to post warrants to any member of the company as no dividend was declared during the financial year.
 - (iv) duly complied with requirement of section 217 of the Act.
14. The Board of Directors of the company duly constituted. During the year Syed Osatullah, Tarun Kanti Mishra, Bijay Kumar Patnaik, Pradip Kumar Jena, Upendra Prasad Singh and Promode Kumar Mishra are appointed as new directors and subsequently Tarun Kanti Mishra, Ajit Kumar Tripathy, Jugal Kishore Mohapatra, Upendra Prasad Singh, G Mohan Kumar, U. Sarat Chandran are ceased from directorship.
15. During the year Mr. Arun Kumar Samantray was appointed as new Chairman of the Company, as per direction of Government of Orissa.
16. The company has not appointed any sole selling agents during the financial year.



SAROJ RAY & ASSOCIATES
COMPANY SECRETARY

Continuation Sheet.....

17. The company was not required to obtain any approval of the Central Govt. Company Law Board, Regional Director, Registrar and such Authorities prescribed under the various provisions of the Act during the financial year.
18. Being the company is a Private Limited Company the disclosure regarding interest in other concerns are not required.
19. The company has not issued any securities during the financial year under scrutiny.
20. The company has not brought back any shares during the financial year under scrutiny.
21. Since there are no preference shares or debentures, the question of redemption does not arise.
22. There were no restrictions necessitating the company to keep in abeyance the right to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The company has not invited, accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
24. The company has not made any borrowings during the financial year ended 31st March 2005.
25. The company has not made any loans or advances or given guarantees or provided securities to other body corporate and consequently no entries have been made in the register kept for the purpose.



SAROJ RAY & ASSOCIATES
COMPANY SECRETARY

Continuation Sheet.....

26. The company has not altered the provision of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provision of the Memorandum with respect to the object of the company during the year under scrutiny.
28. The company has not altered the provision of the Memorandum with respect to the name of the company during the year under scrutiny.
29. The company has not altered the provision of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There was no prosecutions initiated against or show-cause notices received by the company and no fines or penalty or any other punishment was imposed on the company during the financial year for offences under the Act.
32. The company has not received any security from its employees during the financial year.
33. The Company has deposited the amount with appropriate authority as per the provisions of the Provident Fund Act.

For Saroj Ray & Associates
(Company Secretaries)

Place : Bhubaneswar
Date : 28.09.05

Sd/-
Saroj Kumar Ray
(Partner)
C.P.No. 3770



SAROJ RAY & ASSOCIATES
COMPANY SECRETARY

Continuation Sheet.....

Annexure - A**REGISTERS AS MAINTAINED BY THE COMPANY.****Statutory Registers :**

1. Register of members under section 150 of the Act.
2. Minutes Book of meetings under section 193 of the Act.
3. Register of Director, Managing Director, Manager & Secretary under section 303.
4. Register of Director share holdings under section 307

Other Registers :

1. Director Attendance Register.
2. Members Attendance Register.

Annexure - B

**FORMS & RETURNS AS FILED BY THE COMPANY WITH REGISTRAR OF
COMPANIES DURING THE FINANCIAL YEAR ENDING 31st MARCH 2005**

Sl. No.	Form No.	Relevant Section	Description	Date of Filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes / NA
1	-	220	Annual Accounts for the Year 2000-2001.	14.07.2004	No	Yes
2.	-	159(I)	Annual Return 30.09.2004	11.11.2004	Yes	NA
3	-	383 A	Compliance Certificate 31.03.2004	01.11.2004	Yes	No
4	32	303(2)	Appointment and cessation of Chairman on 07.03.2005	23.03.2005	Yes	NA
5	32	303(2)	Appointment and cessation of Directors on 17.01.2005.	28.01.2005	Yes	NA
6	32	303(2)	Appointment and Cessation of Directors on 30.09.2004.	19.10.2004	Yes	NA
7	32	303(2)	Appointment and Cessation of Directors 07.07.2004.	04.08.2004	Yes	NA
8	-	220	Annual Accounts for the Year 2001-2002	07.02.2005	No	Yes



BHASIN HOTA & CO .

CHARTERED ACCOUNTANTS

Vireshwar Chamber, 1st Floor, Shaan Theater Compound, Vile -Parle(EAST) Mumbai : 400057, Tel: 022-26166957, 26130061
N.B. Tower, 2nd Floor, Nayapalli Bhubaneswar- 751012, Tel. : (O) 0674-2561012, (M) 9437055751.

AUDITOR'S REPORT

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

We have audited the attached Balance Sheet of **Orissa State Beverages Corporation Ltd.**, as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are 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 included examining in a test basis, evidence supporting the assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that,our audit provides a reasonable basis for our opinion.

As required by the **Companies (Auditor's Report) (Amendment) Order, 2004** 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-1 statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.

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 it appears from our examination of those books;
- iii) The Balance Sheet and Profit and Loss Account referred to in 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) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes to account and significant accounting policies thereon and subject to our comments given in 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,2005 and
 - b) in the case of Profit & Loss Account of the PROFIT for the year ended on that date.

Place Bhubaneswar
Date : 17.10.2007

For **Bhasin Hota & Co.**
(Chartered Accounts)
Sd/-
(C A. Kishor Hota)
Partner



BHASIN HOTA & CO.

CHARTERED ACCOUNTANTS

Vireshwar Chamber, 1st Floor, Shaan Theater Compound, Vile -Parle(EAST) Mumbai : 400057, Tel: 022-26166957, 26130061
N.B. Tower, 2nd Floor, Nayapalli Bhubaneswar- 751012, Tel. : (O) 0674-2561012, (M) 9437055751.

ANNEXURE -1 TO THE AUDITORS REPORT

(Referred to in Paragraph 3 in our report of an even date)

- i.
 - 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 been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed during such verification.
 - c) The company has not disposed off any fixed assets during the year.
- ii.
 - a) The company does not have stock of finished goods, stores, spare parts and raw materials of its own. However, there is a system of physical verification of stock held at different godowns on behalf of suppliers at reasonable intervals.
 - b) In our opinion, as per information and explanations given to us, the procedure of physical verification followed by the company is reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In our opinion, as per information and explanations given to us, the company is maintaining proper records of inventory and the discrepancies, if any, between physical stock and book records noticed on such verification are properly dealt with in the books of accounts.
- iii. (a) (b) (c) & (d) The Company has neither granted nor taken any loans, secured or unsecured to/ from companies, firms, or other parties covered in the register maintained u/s 301 of the Act.
- iv. In our opinion and according to the information and explanations given to us, as the company does not have purchases of stores, raw material including components etc., and sale of goods, no adequate internal control procedure has been framed by the company for purchases and sales. The company purchases furniture and fixture, office equipments and other assets for which no adequate internal control procedure commensurate with size of the company and nature of its business has been framed.
- v. (a) & (b) In our opinion, as per information and explanations given to us there are no transactions during the year that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- vi. The company has not accepted any deposits from the public during the year within the meaning of sections 58A & 58AA of the Companies Act 1956 and Rules framed there under.
- vii. As explained to us, maintenance of cost records has not been prescribed by the Central Government to the Company under section 209 (1)(d) if the Companies Act 1956.
- viii.
 - a) As per checks carried out by us the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Customers duty, Excise duty, cess and other statutory dues with appropriate authorities.



BHASIN HOTA & CO .

CHARTERED ACCOUNTANTS

Vireshwar Chamber, 1st Floor, Shaan Theater Compound, Vile -Parle(EAST) Mumbai : 400057, Tel: 022-26166957, 26130061
N.B. Tower, 2nd Floor, Nayapalli Bhubaneswar- 751012, Tel. : (O) 0674-2561012, (M) 9437055751.

- b) There are Income Tax demands of Rs. 112,11,583/-, Rs.168,73,071/- & Rs.5,33,94,546/- for the financial year 2001-02; 2002-03 & 2003-04 respectively which have been disputed by the Company and appeals are pending before the Income Tax authorities for the said years. The demand of Rs.12,11,583/-, Rs 1,68,73,071/- & Rs.2,00,00,000/- has been paid for the financial years 2001-02, 2002-03 & 2003-04 as attachment fees respectively. There are also Sale Tax demands for the following financial years issued by the Sale Tax Authority.
- | | |
|-------------|-------------------|
| F.Y 2000-01 | Rs. 1,57,216.00 |
| F.Y 2001-02 | Rs.2,50,33,331.00 |
| F.Y 2002-03 | Rs.3,22,04,314.00 |
- Appeal is pending against above disputed demand before the Asst. Commissioner, Commercial Taxes and the corporation obtained stay against disputed amount from Hon'ble High Court of Orissa by depositing Rs. 50,00,000/-
- ix. The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in this financial year and in the financial year immediately preceding this financial year also.
- x. The company has not defaulted in re-payment of dues to any financial institution or bank.
- xi. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. As explained to us this clause is not applicable to this company.
- xiii. As explained to us the company is not dealing or trading in shares, securities, debentures or other investments.
- xiv. As explained to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xv. As explained to us, the term loans availed by the company were applied for the purpose for which the loans were obtained.
- xvi. As per information and explanations given to us, the funds raised by the company on short term basis have not been used for long term investment or vice versa.
- xvii. As per information and explanations given to us, the company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act.
- xviii. The company has not issued any debentures during the year.
- xix. The company has not raised any money by public issue during the year.
- xx. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.
- xxi. The company is not a Sick Industrial Company within the meaning of clause(O) of sub section (1) of section 3 of the Sick Industrial Companies(Special Provisions) Act, 1985 (1 of 1986)

For BHASIN HOTA & CO
Chartered Accountants

Sd/-
(C.A. Kishor Hota)
Partner.

Place : Bhubaneswar
Date : 17.10.2007



BHASIN HOTA & CO.

CHARTERED ACCOUNTANTS

Vireshwar Chamber, 1st Floor, Shaan Theater Compound, Vile -Parle(EAST) Mumbai : 400057, Tel: 022-26166957, 26130061
N.B. Tower, 2nd Floor, Nayapalli Bhubaneswar- 751012, Tel. : (O) 0674-2561012, (M) 9437055751.

ANNEXURE - II TO THE AUDITOR'S REPORT

(Referred to in paragraph 4 in our report of even date)

1. **Provision for Income Tax Rs. 1,04,84,045.73:-**

The provision for Income Tax should have been made of Rs. 1,04,53,576.34 instead of 1,04,84,045.73 as a result of which the profit for the year 2004-05 has been understated by Rs. 30,469.39.

2. **Entry Tax Payable & Entry Tax Receivable:-**

Entry Tax Payable account shows the debit balance of Rs. 84,979.52 as the Corporation has first deposited the same on behalf of the suppliers for the stock supplied by them, which is subsequently recovered on disposal of liquor to retailers. As entry tax is recovered on the carry over stock at the revised landing price. This differential entry tax so recovered is payable to government which has not been quantified by the Corporation. The Corporation could not furnish the list of the suppliers in respect of which entry tax has been paid.

Entry Tax Receivable account shows the balance of Rs. 6,01,521.33 at the end of the year, however the list of the suppliers could not be furnished by the corporation from whom entry tax to be recovered.

3. **Registration fees from suppliers Rs. 30,38,730/-**

In view of change in the accounting policy w.e.f. financial year 2003-04, registration fees pending allocation of Rs. 1,93,6730/- should be shown as prior period income instead of current year's income in the Profit & Loss account for the financial year 2004-05.

4. **Advance to Employees Rs. 3,14,815.90:-**

The above said advance was paid earlier to respective depots as imperest advance, which are yet to be recovered. An amount of Rs. 2,79,012.40 is being continued in the Balance Sheet for a long period under the head of "Advance to Employees" and no steps have been taken by the Corporation for its recovery. Detail list of which is given below;

Name of the Depot	Year of Payment	Amount (Rs)
Head office Mr. S.K.Sahoo	2003-04	855.75
Balasore	2001-02	50,000.00
Berhampur	2001-02	48,004.75
Manguli	2001-02	50,000.00
Pahal	2001-02	3,627.30
Rayagada	2001-02	51,127.60
Sambalpur	2001-02	75,397.00
	Total	279,012.40



BHASIN HOTA & CO .
CHARTERED ACCOUNTANTS

Vireshwar Chamber, 1st Floor, Shaan Theater Compound, Vile -Parle(EAST) Mumbai : 400057, Tel: 022-26168957, 26130061
N.B. Tower, 2nd Floor, Nayapalli Bhubaneswar- 751012, Tel. : (O) 0674-2561012, (M) 9437055751.

5. Reconciliation of Sundry Debtors & Sundry Creditors.

Reconciliation of Sundry Debtors & Sundry Creditors has not been made by the Corporation and the balance confirmation certificates have not been obtained in this context.

6. Cash Discount;

The details of Sundry Creditors of Rs. 16,81,36,149.81 is shown in the Balance Sheet as on 31.03.05. Corporation could have been earned a good amount of Cash Discount if the payment will be made in compliance with the terms & conditions mentioned in the agreement.

7. Manpower :

During the audit we faced lot of problems to get the co-operation in obtaining information, documents & other related records in time for the purpose of audit due to lack of adequate staffs. More of the officers are on deputation and having dual charge. The person working in computer for accounts job are also in the contractual basis. As the growth of the corporation has increased manifold permanent professionals should be deployed in the interest of the corporation.

Place : Bhubaneswar
Date : 17.10.2007

For BHASIN HOTA & CO
Chartered Accounts

Sd/-
(C. A. Kishor Hota)
Partner.



**ORISSA STATE BEVERAGE CORPORATION
BHUBANESWAR
BALANCE SHEET AS AT 31st MARCH, 2005**

LIABILITIES	Sch.	Amount (Rs.)	As at 31.03.2005 Amount (Rs)	As at 31.03.2005 Amount (Rs.)	As at 31.03.2004 Amount (Rs.)
I. SOURCES OF FUNDS					
<u>(1) Shareholders' Funds</u>					
a) Share Capital	1	10,000,000.00		10,000,000.00	
b) Reserves & Surplus	2	<u>42,331,747.16</u>	52,331,747.16	24,248,254.89	34,248,254.89
<u>2) Loan Funds</u>					
a) Secured Loan	3.	---	---	---	---
b) Unsecured Loan	4	<u>10,000,000.00</u>	<u>10,000,000.00</u>	14,800,000.00	<u>14,800,000.00</u>
TOTAL:			<u>62,331,747.16</u>		<u>49,048,254.89</u>
II. APPLICATION OR FUNDS					
<u>1) Fixed Assets:</u>					
a) Gross Block	5	15,261,944.25		15,253,244.25	
b) Less Depreciation		<u>9,264,406.77</u>		<u>7,353,663.75</u>	
c) Net Block			5,997,537.48		7,899,580.50
<u>(2) Current Assets, Loans and Advances</u>					
a) Current Assets :					
i) Cash & Bank Balance	6	94,447,774.31		151,818,398.93	
ii) Other Current Assets	7	44,791,096.32		4,226,466.78	
b) Loans & Advances	8	<u>229,279,255.38</u>		<u>141,278,351.57</u>	
		<u>368,518,126.01</u>		<u>297,323,217.28</u>	
Less: Current Liabilities and provisions					
a) Current Liabilities	9	289,506,887.60		243,947,663.29	
b) Provisions	10	<u>22,677,028.73</u>		<u>12,300,302.00</u>	
		<u>312,183,916.33</u>		<u>256,247,965.29</u>	
Net Current Assets			56,334,209.68		41,075,251.99
3) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED					
Preliminary Expenditure					73,422.40
TOTAL :			<u>62,331,747.16</u>		<u>49,048,254.89</u>

Schedules 1 to 17 and significant accounting policies and explanatory notes annexed hereto form of the Balance sheet and Profit & Loss Account.

As per our report of an even date

For Bhasin Hota & Co
Chartered Accountants

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Kishor Hota, FCA)
Partner

Sd/-
Gen. Manager (Fin.)/c

Sd/-
Director

Sd/-
Managing Director

Place : Bhubaneswar
Date : 17.10.2007



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDING ON 31st MARCH, 2005

Year		<i>Figure For The</i> <i>Year Ending</i> <i>31.03.2005</i> <i>Amount (Rs.)</i>	<i>Figure For The</i> <i>Ending 31.03.2004</i> <i>Amount (Rs.)</i>
	Sch.		
INCOME			
Margin on operation		203,639,331.10	140,483,487.48
Export Permit pass Commission		136,103.00	77,334.00
Interest on Term Deposit		12,192,905.79	6,625,888.00
Registration Fee Collected		3,038,730.00	561,440.00
Cash Discount		33,984,963.84	4,402,154.29
Other Income		2,404,299.45	52,407.00
Total Income		255,396,333.18	152,202,710.77
EXPENDITURE			
Advertisement & Business Development	11	36,465.00	550,239.50
Communication & Development	12	151,763.50	243,980.55
Godown Rent & Expenses		7,569,772.26	8,912,808.40
Office Rent		784,320.00	992,873.00
Office Expenses	13	508,063.95	739,764.10
Professional & Legal Charges	14	144,370.00	113,741.00
Donation		2,000,000.00	---
Salary & Wages	15	3,708,153.00	5,398,582.30
Travelling & Conveyance		36,780.60	119,538.50
Hire Charges of Vehicle		233,460.70	626,860.00
Audit Fees and Expenses	16	164,037.00	118,820.00
Insurance Premium		502,630.00	900,811.00
Licence, Privilege & Lable Reg.Fees		200,033,600.00	110,027,000.00
Printing & Stationary		245,595.00	235,346.50
Repair & maintenance		52,415.00	45,924.05
Security Service Charges	17	6,380,522.75	9,064,052.40
Financial Charges		2,400,000.00	2,423,835.00
Preliminary Expenses Written off		73,422.40	73,422.40
Depreciation		1,910,743.02	2,341,846.30
Total Expenditure		226,936,114.18	142,929,445.00
NET PROFIT/(LOSS) FOR THE YEAR		28,460,219.00	9,273,265.77
Add / Less : Prior Income/ Expenditure		107,319.00	684,168.00
PROFIT/(LOSS) BEFORE TAXATION		28,567,538.00	9,957,433.77
LESS : Provision for Taxation		10,484,045.73	3,625,458.00
PROFIT / (LOSS) AFTER TAXATION		18,083,492.27	6,331,975.77
Add Balance Profit Brought from Last year		24,248,254.89	17,916,279.12
BALANCE PROFIT TRANSFERRED TO BALANCE SHEET		42,331,747.16	24,248,254.89

Schedules 1 to 17 and significant accounting policies and explanatory notes annexed hereto form part of the Balance Sheet and Profit & Loss Account.

As per our report of an even date

For Bhasin Hota & Co Chartered Accountants	For Orissa State Beverages Corporation Ltd.	For Orissa State Beverages Corporation Ltd.	For Orissa State Beverages Corporation Ltd.
---	--	--	--

Sd/-
(Kishor Hota, FCA)
Partner

Sd/-
Gen. Manager (Fin.)/c

Sd/-
Director

Sd/-
Managing Director

Place : Bhubaneswar

Date : 17.10.2007



ORISSA STATE BEVERAGES CORPORATION LIMITED
 BHUBANESWAR
 SCHEDULES FORMING PART OF THE BALANCE SHEET

	Amount (Rs.) As at 31.03.2005	Amount (Rs.) As at 31.03.2004
SCHEDULE-1		
SHARE CAPITAL		
<u>Authorised</u> 50,00,000 Equity Shares of Rs. 10/- each	50,000,000.00	50,000,000.00
<u>Issued Subscribed & Paid up Capital</u> 10,00,000 Equity shares Rs. 10/- each	10,000,000.00	10,000,000.00
TOTAL	10,000,000.00	10,000,000.00
SCHEDULE-2		
RESERVES & SURPLUS Profit & Loss Account	42,331,747.16	24,248,254.89
TOTAL	42,331,747.16	24,248,254.89
SCHEDULE-3		
SECURED LOAN Short Term Loan from Union Bank of India, C.S.Pur (against security of Short Term Deposit of Rs. 6.00 Crore) Interest Accrued and due on above	--	--
TOTAL	--	--
SCHEDULE-4		
UNSECURED LOAN Loan From Government Of Orissa Interest Accrued and due on above	10,000,000.00	10,000,000.00
TOTAL	10,000,000.00	14,800,000.00



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULE-5
DEPRECIATION SCHEDULE FOR THE YEAR ENDING ON 31.03.2005

FIXED ASSETS SCHEDULE

Sl. No.	ITEM	Rate	Cost As On 01.04.04	GROSS BLOCK			DEPRECIATION				NET BLOCK	
				Addition during the Year	Deletion / Sale during the year	Total Cost As On 31.03.05	Depreciation As On 01.04.04	Depreciation during the year	Depreciation adjusted during as on 31.03.05	Total Depreciation 05.31.03.05	Written down value as on 31.03.05	Written down value as on
1.	Air Conditioner	13.91%	896,331.15	-	-	896,331.15	283,723.28	87,128.94	-	370,852.22	612,807.67	925,478.93
2.	Computer	40.00%	4,813,594.00	8,700.00	-	4,822,294.00	3,432,898.81	705,115.16	-	4,138,013.97	1,380,885.19	684,270.03
3.	Furniture & Fixure	18.10%	3,700,675.50	-	-	3,700,675.50	1,801,390.10	395,151.05	-	1,996,531.15	2,099,295.40	1,704,144.35
4.	Electric Fittings	13.91%	796,614.80	-	-	796,614.80	270,637.55	74,807.76	-	345,445.31	525,997.05	451,169.29
5.	Office Equipments	13.91%	2,063,856.00	-	-	2,063,856.00	676,247.67	197,205.94	-	873,453.62	1,367,008.33	1,190,312.38
6.	Vehicle	25.89%	2,189,063.00	-	-	2,189,063.00	890,241.78	366,678.48	-	1,256,920.25	1,298,821.22	932,142.75
7.	Audio Visual	13.91%	793,120.00	-	-	793,120.00	198,534.57	84,585.88	-	283,100.25	594,585.43	510,019.75
	Total		15,253,244.25	8,700.00	-	15,261,944.25	7,353,863.78	1,910,743.02	-	9,284,406.7	7,899,580.29	5,997,537.48



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULES FORMING PART OF THE BALANCE SHEET**

	Amount (Rs.) As at 31.03.2005	Amount(Rs.) As at 31.03.2004
Cash & Bank Balance		
SCHEDULE-6		
a) Cash in Hand	2,479.80	1,140.10
b) Cheques in Hand & Transit	--	--
c) Balances With Scheduled Banks	61,996,392.51	130,398,783.83
i) In Current Accounts	32,448,902.00	21,418,475.00
ii) In Term Deposits	--	--
TOTAL	94,447,774.31	151,818,398.93
Other Current Assets		
SCHEDULE-7		
a) Security Deposits	1,008.00	11,008.00
b) Accured Interest On Term Deposits	944,813.00	694,395.00
c) Income Tax Deducted at Source (Receivable)	4,913,564.00	2,552,270.00
d) Sundry Debtors	38,294,484.99	10,485.78
e) Entry Tax Receivables	601,521.33	932,603.00
f) Receivable From Govt.(Others)	25,705.00	25,705.00
TOTAL	44,791,096.32	4,226,466.78
Loans And Advances		
SCHEDULE-8		
Advances Recoverable in Cash or in Kind or for Value to be Received (Unsecured Loan Considered Good)		
a) Advance To employees	314,815.90	312,495.90
b) Advance Income Tax	53,844,019.00	18,494,019.00
c) Pre-paid insurance	369,303.00	376,519.00
d) Other Advances	174,551,310.00	122,002,510.00
e) Advance To Suppliers	199,807.48	92,807.67
TOTAL	229,279,255.38	141,278,351.57



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULES FORMING PART OF THE BALANCE SHEET**

	Amount (Rs.) As at 31.03.2005	Amount (Rs.) As at 31.03.2004
Current Liabilities		
SCHEDULE-9		
a) Sundry Creditors		
i) Total Outstanding Dues to Small Scale Industrial Undertakings		
ii) Total Outstanding dues of Creditors other than Small Scale Undertakings	--	--
b) Other Liabilities		
i) Security Deposits Received	168,136,149.81	196,829,348.72
ii) Additional Security Deposits	8,300,000.00	6,900,000.00
iii) Duties & Taxes Payable to Govt. Of Orissa	107,651.50	108,724.50
iv) Advance From Retailers	88,042,005.80	27,017,687.83
v) Provident Fund Dues	--	1,634,256.69
vi) Dues under Group Savings Linked Insurance Scheme	54,019.49	40,126.00
vii) Registration Fees Pending Allocation	41,106.00	980.00
viii) Registration Fee Received in Advance	--	1,936,730.00
ix) Other Liabilities	--	725,000.00
	24,825,954.91	8,754,809.55
TOTAL	289,506,887.60	243,947,663.29
Provisions		
SCHEDULE-10		
a) Provision For Income Tax (2000-01)		
b) Provision For Income Tax (2001-02)	6,572,340.00	6,572,340.00
c) Provision For Income Tax (2002-03)	2,116,315.00	2,116,315.00
d) Provision For Income Tax (2003-04)	3,504,328.00	3,611,647.00
e) Provision For Income Tax (2004-05)	10,484,045.73	
TOTAL	22,677,028.73	12,300,302.00



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	Amount (Rs.) As at 31.03.2005	Amount (Rs.) As at 31.03.2004
SCHEDULE-11		
<u>Advertisement & Business Development</u>		
Advertisement	16,275.00	--
Business Expenses	20,190.00	550,239.50
TOTAL	36,465.00	550,239.50
SCHEDULE-12		
<u>Communications & Development</u>		
a) Postage & Telegram	35,395.00	48,347.05
b) Telephone Charges	98,098.50	140,545.50
c) Website Development Expenses	--	--
d) Computer Software development	18,270.00	55,088.00
TOTAL	151,763.50	243,980.55
SCHEDULE-13		
<u>Office Expenses</u>		
a) News Papers and Periodicals	6,520.00	9,911.75
b) Electric Charges	400,155.70	628,540.50
c) Office Expenses	26,102.75	25,998.50
d) Misc. Office Expenses	5,422.50	6,062.25
e) Water Charges	17,640.00	17,640.00
f) Books and Journals	--	2,116.00
g) Office Maintenance	46,331.00	45,274.60
h) B.O.D Meeting Expenses	5,892.00	4,220.50
TOTAL	508,063.95	739,764.10



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	Amount (Rs.) As at 31.03.2005	Amount (Rs.) As at 31.03.2004
SCHEDULE-14		
<u>Professional & Legal Charges</u>		
a) Company Secretary's Retainer Fees	--	25,500.00
b) Legal Charges	20,570.00	13,571.00
c) Professional Charges	123,800.00	74,670.00
TOTAL	144,370.00	113,741.00
SCHEDULE-15		
<u>Salaries & Wages</u>		
a) Leave Salary & Pension Contribution	123,122.00	249,420.00
b) Salary & Wages	3,585,031.00	5,149,162.30
c) Consultancy	--	--
TOTAL	3,708,153.00	5,398,582.30
SCHEDULE-16		
<u>Audit Fees & Expenses</u>		
a) Statutory Audit Fees	35,000.00	35,000.00
b) Tax Audit Fees	5,000.00	5,000.00
c) Internal Audit Fees	94,000.00	58,320.00
d) Other Audit Fees	30,037.00	20,500.00
TOTAL	164,037.00	118,820.00
SCHEDULE-17		
<u>Financial Charges</u>		
a) Bank Charges	--	8,853.00
b) Interest On Short Term Loan	--	14,982.00
c) Interest On Govt. Loan	2,400,000.00	2,400,000.00
TOTAL	2,400,000.00	2,423,835.00



SIGNIFICANT ACCOUNTING POLICIES AND 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 Accounts of India except otherwise stated here below.
 - b) The Company follows mercantile system of accounting and recognizes Income and Expenditure on accrual basis.
2. Revenue Recognition and Expenditure Allocation
 - a) Margin on Operation are recognized 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 recognized on month-to-month basis based on the Actual payment made to supplier net off the duty and taxes and reinvestment in duties, if any.
 - c) Registration fees collected from Retailers and suppliers up to the financial year 2002-03 is recognized as income over a period of 10 accounting years. In view of change in policy, registration fees collected from suppliers, whether old or new are recognized as income for that year with effect from the financial year 2003-04 is followed consistently.
 - d) The Expenritures are allocated and charged to respective expenditure heads as and when accrued / spent for the period of the financial statement.
 - e) The Preliminary & Pre-operative expenditures of Rs. 3,67,112/- as reported by the Excise Deptt. is amortized over a period of 5 accounting period.
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 Scheduled 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 margin on sales made on behalf of suppliers.
6. **Retirement Benefits of Employees:** The Corporation has taken employees from government and other organization on deputation basis. They are guided by the terms of deputation as fixed / to be fixed by the State Government / other Public Sector Undertakings. Their retirement benefits including Gratuity & Leave Salary etc. are accounted for on cash basis as per the terms of deputation.



Notes Forming part of Accounts

1. The payments made by the suppliers for deposit with Superintendent , Khurda 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.
2. The Balance confirmations from retailers & suppliers are not obtained.
3. The reconciliation of sales tax collected and sales tax paid, entry tax collected and entry tax paid, supplier balances are in progress.
4. Sales made on behalf on the supplier during the year is credited to respective supplier's account after adjusting the sales tax, entry tax, company's margin and cash discount, if any.
5. Income Tax provision is made on the total profit considering the depreciation allowance applicable as per the Income Tax Rules.
6. The balance Preliminary Expenditure of Rs. 73,422.40 is amortized during the current year.
7. During the year 2004-05 advances from retailer is nil as on 31.03.2005 and debit balance has been taken under the head "Sundry Debtors" in the assets side of the Balance Sheet.
8. The credit balance of Sundry Creditors amounting to Rs. 16,81,36,149.81 have been shown under the head "Sundry Creditors" and the debit balance of Rs. 1,99,807.48 have been shown under the head "Advance to suppliers".
9. (a) Employees employed through out the year and were in receipt of remuneration not less than Rs. 35,85,031/-

(i)	No of Employees	Nil
(ii)	Salary & Wages	Nil
(iii)	Corporations' Contribution to Provident & Other Funds	Nil

 (b) Employees employed for a part of the year and were in receipt of remuneration not less than Rs.2,0000/- per month.

(i)	No of Employees	Nil
(ii)	Salary & Wages	Nil
(iii)	Corporations' Contribution to Provident & Other Funds	Nil
10. Interest on term Deposit as shown in the Profit & Loss Account (Rs.1,21,92,905.79) is gross.
11. Previous years figures have been regrouped, recast and rearranged wherever is necessary.
12. Salary & Wages include Rs. 3,21,088/- paid as salary and Travelling and Conveyance includes Rs.Nil/- paid towards Travelling & Allowance to Directors.
13. The Income Tax Assessments up to the Assessment year 2004-05 have been completed. However, Income Tax Authorities have raised demand notice on disputed amount of Rs. 5,33,94,546.00 for the A.Y. 2004-05. The Corporation has filed an appeal before Commissioner of Income Tax on disputed amount for the A.Y.2001-02 to A.Y. 2004-05. As a result of which amount paid to Income Tax is shown as "Advance against Income Tax" without adjustment with the head of "Provision for Income Tax" for the years. Details are given in para - 14.



14. Cash Discount received / receivable are recognized on month to month basis based on actual payment made to the suppliers net off duty and taxes and reinvestment in duties, if any. However, the method of computation of Cash Discount has been changed in the year 2004-05 with retrospective effect regenerating additional revenue of Rs. 1,54,35,370.74 up to year 2003-04, including Rs. 3,39,84,963.84 for the year 2004-05 and has been recognized as income in the financial year 2004-05. In the changed method the cash discount is being computed on payment made to suppliers added with reinvestment in excise duty. Against service of such adverse Order Corporation has preferred appeal before Commissioner (I.T.appeal) which is still pending for the Assessment Year 2004-05.
- The I.T. Authorities have recovered the tax demand amounting to Rs. 2,00,00,000/- for the A.Y. 2004-05 through bank on dtd. 03.03.2007.
15. Margin on Operation of Rs. 20,36,39,331.10 includes Margin Rounding off, however the Rounding off amount has not been quantified in the ledger.
16. Registration Fees pending allocation of Rs,19,36,730/- and advance registration fees of Rs. 7,25,000/- has been recognized as income during the financial year 2004-05.
17. The Corporation provides 5 nos. of vehicle to the Excise commissioner at a total cost of Rs. 17,36,690/- under the head "Advance to Excise Commissioner" during the year 2003-04. These vehicles have been purchased in the name of the Excise commissioner. The Corporation earlier provided 5 nos. of vehicle to the Excise Commissioner at a total cost of Rs. 17,96,222/- in the year 2002-03. The Board of Directors in the 21st meeting held on 29.01.05 have decided that ownership of these 10 vehicles will be reverted back to the Corporation, which has not been incorporated.
18. After Assessment, the Sales Tax Authority has issued a demand of Rs.3,22,04,314/- for the financial year 2002-03 which has been disputed by the Corporation and preferred to file an appeal before the Commissioner of Sales Tax. The Corporation has also filed an appeal and obtained stay from Hon'ble High Court of Orissa against the demand raised by the Sales tax authority for the year 2001-02.

As per our report of an even date

For Bhasin Hota & Co
Chartered Accountants

Sd/-
(Kishor Hota, FCA)
Partner

Place : Bhubaneswar
Date : 17.10.2007

For Orissa State Beverages
Corporation Ltd.

Sd/-
Gen. Manager (Fin.)/c

For Orissa State Beverages
Corporation Ltd.

Sd/-
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Managing Director



PART - IV
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details		
	Registration No.	0 0 6 3 7 2	State Code 1 5
	Balance Sheet Date	3 1 0 3 0 5	
II	Capital raised during the year (Amount in Rs. Thousands)*		
	Public Issue	NIL	Private Placement
	Right Issue	NIL	NIL
	Bonus Issue	NIL	
III	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)		
	Total Liabilities	0 6 2 3 3 1	Total Assets
			0 6 2 3 3 1
IV	Sources of Funds		
	Capital Funds	1 0 0 0 0	Reserve & Surplus
			4 2 3 3 1
			Secured Loans
			NIL
			Unsecured Loans
			1 0 0 0 0
V	Application of Funds		
	Net Fixed Assets	6 0 0 0 *	Investments
			NIL
	Accumulated Losses		Net Current Assets
			5 6 3 3 4
			Misc. Expenditure
			7 3
VI	Performance of Company (Amount in Rs. Thousands)		
	Total Income	2 5 5 3 9 6	Total Expenditure
			2 2 6 9 3 6
			Profit Before Tax
			2 8 5 6 7
			Profit After Tax
			1 8 0 8 3
	Earning per share in Rs	1 8 . 0 8	Dividend Rate
			NIL
VII	Generic Names of Principal Products / Services of Company (as per monetary terms)		
	Item Code No	I M F L B E E R & C O U N T R Y S P I R I T	
	(ITC CODE)		
	Product		
	Description		

As per our report of an even date

For Bhasin Hota & Co
Chartered AccountantsFor Orissa State Beverages
Corporation Ltd.For Orissa State Beverages
Corporation Ltd.For Orissa State Beverages
Corporation Ltd.Sd/-
(Kishor Hota, FCA)
PartnerSd/-
Gen. Manager (Fin.)/cSd/-
DirectorSd/-
Managing Director

Place : Bhubaneswar

Date : 17.10.2007