

9th Annual Report 2008-2009



ORISSA STATE BEVERAGES CORPORATION LIMITED

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BOARD OF DIRECTORS AS ON 31.03.2009

1.	Shri Taradatt, I.A.S.	Chairman
2.	Shri B. K. Pattanaik, I.A.S.	Director
3.	Shri A. P. Padhi, I.A.S.	Director
4.	Shri K. C. Mishra	Director
5.	Shri Sudarsan Nayak, I.A.S.	Managing Director

PRESENT BOARD OF DIRECTORS

1.	Shri R. K. Sharma, I.A.S.	Chairman
2.	Shri Saurabh Garg, I. A.S	Director
3.	Shri N. B. Dhal, I.A.S	Director
4.	Shri Sudarsan Nayak, I.A.S.	Director
5.	Shri K. C. Mishra	Director
6.	Shri R. R. Mallick, I.A.S.	Managing Director

COMPANY SECRETARIES :

M/s. Saroj Ray & Associates,
Company Secretaries,
N/6-215, IRC Village, Jayadev Vihar
Bhubaneswar - 751015

STATUTORY AUDITORS :

M/s. P. K. Sahoo & Co.
Chartered Accountants,
1113, Nayapalli, Behind Krishna Tower
Bhubaneswar - 751 012

BANKERS :

Union Bank of India
State Bank of India

REGISTERED OFFICE :

9th Floor, IDCO Tower,
Janpath, Bhubaneswar - 751022, Orissa



DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR 2008-09

Sir / Madam,

Your Directors have pleasure in presenting the 9th Annual Report of the Corporation with Audited Statements of Accounts for the year ended on 31st March 2009.

FINANCIAL HIGHLIGHT :

The financial results of the Company for the year ended 31st March 2008 vis-a-vis 31st March 2009 are :

Particular	For the year ended 31.03.2009 Amount in Rs.	For the Year ended 31.03.2008 Amount in Rs.
Total Income	629,471,997.90	461,196,079.31
Total Expenditure	335,147,267.07	324,856,022.00
Profit before tax & depreciation	295,305,344.14	137,124,056.36
Less depreciation	980,613.31	783,999.05
Profit after depreciation	294,324,730.83	136,340,057.31
Add/less : Net prior period Income / Expenditure	35,000.00	99,278.75
Profit before tax	294,359,730.83	136,240,778.56
Provision for tax	96,871,930.00	44,381,717.32
Profit after tax	197,487,800.83	91,859,061.24
Profit transferred to balance sheet	430,473,001.82	232,985,200.99

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. 629,471,997.90 and the total expenditure was Rs. 335,147,267.07. The net profit for the year is Rs. 197,487,800.83.

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 Taradatt, IAS, appointed as Chairman of the Corporation in place of Sri G.V.V. Sarma, IAS, and Sri Sudarsan Nayak, IAS appointed as Managing Director in place of Sri Soumya Prasad Misra, IAS. Sri B. K. Pattanaik, IAS, Sri A. P. Padhi, IAS and Sri K. C. Mishra are continued as Directors of the Corporation during the financial year.

EMPLOYEES :

As required by the provisions at Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, none of the Employees were 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 2008.

AUDITORS :

M/s P.K. Sahoo & Co., Chartered Accountants, Bhubaneswar has been ORBEV appointed by C&AG as statutory auditors for the year 2008-09 vide Letter No. CAV/COY/ORISSA/ORBEV (1)/1189, Dtd. 01.12.2008 and also same firm has been re-appointed as auditors for the financial year 2009-2010 vide C&AG Letter No. ORBEVR(1)/1059, Dated 13.10.2009.

COMMENTS ON AUDITORS' REPORT :

The comments of your Management on the observations made by the Statutory Auditor and the C & AG of India on the Accounts of the Corporation for the year 2008-2009 are enclosed with this report in Annexure - I & II respectively.

SECRETARIAL COMPLIANCE CERTIFICATE :

As per provision 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 2009 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 2009 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 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 collaborations for growth of turnover and profitability of the Corporation.

Place : Bhubaneswar
Date : 29.12.2010

For and On behalf of the Board of Directors

Sd/-
(Sri R. K. SHARMA, IAS)
CHAIRMAN

**ANNEXURE - 1****REPLIES OF THE MANAGEMENT ON THE COMMENTS OF THE STATUTORY AUDITORS**

Sl. No	Comments of Statutory Auditor	Comments of the Management												
1.	An amount of Rs. 1,64,384/- has been appearing since long against Interest Payable to Govt. As replied by management the same has been rectified during the year 2009-2010. The same has resulted in over statement of liabilities.	The necessary accounting entries have been made during the Financial Year 2009 - 2010.												
2.	<p>Additional Security Deposit</p> <p>a) Following accounts are showing debit balance since long in liabilities, resulting in under statement of liabilities.</p> <table> <thead> <tr> <th><u>Name of the Parties</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>M/s. MC Dowell</td> <td>Rs. 3,49,987/-</td> </tr> <tr> <td>M/s. Saw wallace Beverages</td> <td>Rs. 6,79,560/-</td> </tr> </tbody> </table> <p>Reconciliation of the same has not been done.</p> <p>b) Following accounts are showing credit balance since long with adjustment.</p> <table> <thead> <tr> <th><u>Name of the Parties</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>M/s. Narang Beverages</td> <td>Rs. 4,14,960/-</td> </tr> <tr> <td>M/s. Maikal Brew.</td> <td>Rs. 2,30,000/-</td> </tr> </tbody> </table> <p>The same has resulted in over statement of liabilities</p>	<u>Name of the Parties</u>	<u>Amount (Rs.)</u>	M/s. MC Dowell	Rs. 3,49,987/-	M/s. Saw wallace Beverages	Rs. 6,79,560/-	<u>Name of the Parties</u>	<u>Amount (Rs.)</u>	M/s. Narang Beverages	Rs. 4,14,960/-	M/s. Maikal Brew.	Rs. 2,30,000/-	<p>a) M/s. Mc. Dowell was merged with M/s. United Sprits Limited and same amount has been adjusted. Reconciliation of M/s. Shaw Wallace Beverages is going on.</p> <p>b) Action has being initiated for reconciliation of M/s. Maikal Breweries Private Limited and M/s. Narang Beverages.</p>
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>													
M/s. MC Dowell	Rs. 3,49,987/-													
M/s. Saw wallace Beverages	Rs. 6,79,560/-													
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>													
M/s. Narang Beverages	Rs. 4,14,960/-													
M/s. Maikal Brew.	Rs. 2,30,000/-													
3.	<p>Central Sales Tax :</p> <p>CST of Rs. 44,880/- has been paid but not reflected the accounts during 08-09 which resulted in under statement of expenditure and over statement of profit.</p>	Proper accounting effects have been given in the accounts for the year 2009-10.												
4.	Professional Tax of Rs. 5000/- paid for the year 2006-07 and 2007-08 on dt. 08.07.2008, resulted in over statement of expenditure of the year and understatement of prior period expenditure.	The professional tax for the year 2007-08 was due in the year 2008-09 accordingly an amount of Rs. 2500/- was paid for the respective year on 08.07.2008. As the Professional Tax for the year 2006-07 has not paid in the year 2007-08 to regularise the same Rs. 2500/- for the year 2006-07 was paid on 08.07.2008												



5.	<p>In the following cases, reconciliation has not been done in sundry creditor ledger accounts. Balance confirmations have not obtained from the parties</p> <table border="0"> <thead> <tr> <th><u>Name of the Parties</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>M/s. East Coast Breweries & Dist. Ltd.</td> <td>1,96,502.95</td> </tr> <tr> <td>M/s. Appolo Alco Beverages</td> <td>2,41,013.27</td> </tr> <tr> <td>M/s. Gemini Distilleries</td> <td>84,677.99</td> </tr> <tr> <td>M/s. Iceberg Industries Ltd.</td> <td>6,28,706.45</td> </tr> <tr> <td>M/s. Manav Breweries Pvt. Ltd.</td> <td>1,97,445.66</td> </tr> <tr> <td>M/s. Mohan Meakin Ltd.</td> <td>2,23,476.67</td> </tr> <tr> <td>M/s. National Industrial Corporation</td> <td>89,693.86</td> </tr> <tr> <td>M/s. Oasis Distilleries Ltd.</td> <td>66,015.46</td> </tr> <tr> <td>M/s. Ocean Beverages</td> <td>1,05,905.30</td> </tr> <tr> <td>M/s. SKOL Breweries Ltd.</td> <td>9,14,77,650.91</td> </tr> <tr> <td>M/s. Tripti Alcobrew Ltd.</td> <td>2,22,491.44</td> </tr> <tr> <td>M/s. Vinbros & Co.</td> <td>74,832.52</td> </tr> <tr> <td>M/s. Yukson Breweries Ltd.</td> <td>1,39,674.44</td> </tr> <tr> <td>M/s. Whytle Hall & Mackay (I) Ltd.</td> <td>97,218.11</td> </tr> </tbody> </table>	<u>Name of the Parties</u>	<u>Amount (Rs.)</u>	M/s. East Coast Breweries & Dist. Ltd.	1,96,502.95	M/s. Appolo Alco Beverages	2,41,013.27	M/s. Gemini Distilleries	84,677.99	M/s. Iceberg Industries Ltd.	6,28,706.45	M/s. Manav Breweries Pvt. Ltd.	1,97,445.66	M/s. Mohan Meakin Ltd.	2,23,476.67	M/s. National Industrial Corporation	89,693.86	M/s. Oasis Distilleries Ltd.	66,015.46	M/s. Ocean Beverages	1,05,905.30	M/s. SKOL Breweries Ltd.	9,14,77,650.91	M/s. Tripti Alcobrew Ltd.	2,22,491.44	M/s. Vinbros & Co.	74,832.52	M/s. Yukson Breweries Ltd.	1,39,674.44	M/s. Whytle Hall & Mackay (I) Ltd.	97,218.11	<p>The said suppliers have already been intimated to submit the balance confirmation certificate and action is being initiated for reconciliation of those suppliers' accounts.</p>
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>																															
M/s. East Coast Breweries & Dist. Ltd.	1,96,502.95																															
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6.	<p>Reconciliation of the following parties has not been done and balance confirmations have not been obtained in sundry creditor debit balance.</p> <table border="0"> <thead> <tr> <th><u>Name of the Parties</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>M/s. Denzong Brew</td> <td>10,26,026.92</td> </tr> <tr> <td>M/s. Maikal Brew</td> <td>5,78,854.97</td> </tr> <tr> <td>M/s. Pernod Ricard India - II</td> <td>97,50,847.20</td> </tr> <tr> <td>M/s. Pernod Ricard India</td> <td>22,63,27,861.24</td> </tr> <tr> <td>M/s. Sagram - II</td> <td>72,730.75</td> </tr> </tbody> </table>	<u>Name of the Parties</u>	<u>Amount (Rs.)</u>	M/s. Denzong Brew	10,26,026.92	M/s. Maikal Brew	5,78,854.97	M/s. Pernod Ricard India - II	97,50,847.20	M/s. Pernod Ricard India	22,63,27,861.24	M/s. Sagram - II	72,730.75	<p>The reconciliation of M/s. Denzong Breweries Pvt. Ltd. and M/s. Pernod Ricard India Pvt. Ltd. has been completed upto 2008-2009 on 19.09.09 and 15.05.10 respectively. Action has been initiated for reconciliation of other supplier's accounts.</p>																		
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M/s. Denzong Brew	10,26,026.92																															
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M/s. Sagram - II	72,730.75																															
7.	<p><u>Old Sundry Creditors :-</u> In the following cases, reconciliation of the parties have not bene done. Also balance confirmations have not been obtained.</p> <table border="0"> <thead> <tr> <th><u>Name of the Parties</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>M/s. Artos Breweries Ltd.</td> <td>19,892.00</td> </tr> <tr> <td>M/s. Hindustan Brew & Bottling</td> <td>5,343.85</td> </tr> <tr> <td>M/s. Lilasons Breweries Ltd.</td> <td>1,26,938.21</td> </tr> <tr> <td>M/s. Maikal Brew (Inter State)</td> <td>6,11,983.00</td> </tr> <tr> <td>M/s. Narang Breweries</td> <td>3,63,026.25</td> </tr> </tbody> </table>	<u>Name of the Parties</u>	<u>Amount (Rs.)</u>	M/s. Artos Breweries Ltd.	19,892.00	M/s. Hindustan Brew & Bottling	5,343.85	M/s. Lilasons Breweries Ltd.	1,26,938.21	M/s. Maikal Brew (Inter State)	6,11,983.00	M/s. Narang Breweries	3,63,026.25	<p>The reconciliation of M/s. Hindustan Breweries & Bottling Limited was completed up to the financial year 2007-08 and subsequently the supplier has closed its operation with OSBC and the balance amount was refunded on 14.08.2009. Further action, has been taken for reconciliation of other suppliers accounts.</p>																		
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>																															
M/s. Artos Breweries Ltd.	19,892.00																															
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M/s. Narang Breweries	3,63,026.25																															



<p>8. In spite of our previous audit observation, following imprest advance have not been adjusted.</p> <table border="1"> <thead> <tr> <th><u>Name of he Branch</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>Balasure Branch</td> <td>50,000.00</td> </tr> <tr> <td>Berhampur Branch</td> <td>48,004.75</td> </tr> <tr> <td>Manguli Branch</td> <td>50,000.00</td> </tr> <tr> <td>Pahal Branch</td> <td>3,627.30</td> </tr> <tr> <td>Rayagada Branch</td> <td>51,127.60</td> </tr> <tr> <td>Sambalpur Branch</td> <td>75,397.00</td> </tr> </tbody> </table>	<u>Name of he Branch</u>	<u>Amount (Rs.)</u>	Balasure Branch	50,000.00	Berhampur Branch	48,004.75	Manguli Branch	50,000.00	Pahal Branch	3,627.30	Rayagada Branch	51,127.60	Sambalpur Branch	75,397.00	<p>The depot expenditure in OSBC is continuous and recurring in nature so the squaring off of accounts is not possible.</p>
<u>Name of he Branch</u>	<u>Amount (Rs.)</u>														
Balasure Branch	50,000.00														
Berhampur Branch	48,004.75														
Manguli Branch	50,000.00														
Pahal Branch	3,627.30														
Rayagada Branch	51,127.60														
Sambalpur Branch	75,397.00														
<p>9. Old Sundry Debtors The following cases, Sundry Debtor reconciliation has not been done. Also balance confirmation certificate have not been obtained.</p> <table border="1"> <thead> <tr> <th><u>Name of the Parties</u></th> <th><u>Amount (Rs.)</u></th> </tr> </thead> <tbody> <tr> <td>M/s Denzong Brew.</td> <td>6,08,309.25</td> </tr> <tr> <td>M/s Royal Enterprise</td> <td>6,11,983.00</td> </tr> </tbody> </table>	<u>Name of the Parties</u>	<u>Amount (Rs.)</u>	M/s Denzong Brew.	6,08,309.25	M/s Royal Enterprise	6,11,983.00	<p>The reconciliation of M/s.Denzong Breweries Pvt. Ltd is completed and as per reconciliation credit balance is appearing.</p>								
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>														
M/s Denzong Brew.	6,08,309.25														
M/s Royal Enterprise	6,11,983.00														
<p>10. Franchise fee payable of Rs12,27,57,096.80 resulting in over statement of liabilities .</p>	<p>The said amount is under examination.</p>														
<p>11. Payroll deduction of Rs.4,53,550.01 is showing debit balance under Current Liabilities, resulting in under statement of current liabilities .</p>	<p>The said amount has been shown under the head other advances under current assets, hence there is no under statement of current liabilities.</p>														
<p>12. Cess amounting to Rs.41,55,075.77 showing credit balance under 'Duties & Taxes' is not supported with documents. Accounting effect could not be given due to lack of the same.</p>	<p>Necessary steps are being taken for proper accounting adjustment in the financial year 2010-2011.</p>														
<p>13. Surcharge on IMFL of Rs.1,16,19,340.28 is not supported with documents.In absence of which accounting effect could not be given.</p>	<p>Necessary steps are being taken for proper accounting adjustment in the financial year 2010-2011.</p>														
<p>14. Rs.36,36,690/-has been debited to 'Advance to Excise Department' under current assets since long. But no initiation has been taken by the management for recovery of the same.</p>	<p>Corporation has issued letter to Excise Department for necessary action.</p>														
<p>15. Under current liabilities Rs.1,40,639,62.31 is showing debit balance in favour of Excise Superintendent Khurda. No step has been taken to regularize the same.</p>	<p>The same shall be adjusted in the financial year 2009-2010.</p>														
<p>16. Details of other liabilities for Rs.12,98,40,133.29 is not available.</p>	<p>The said amount is in the books of accounts.</p>														



17. Non-Compliance of Previous year's Audit Report

(A) Five numbers of Jeeps for amounting to Rs.17.37 lakhs have not been accounted for in the Books of accounts.

(B). Wrong Reconciliation of Suppliers A/c

In most of the cases differences in reconciliation has been observed between figures of the Books and reconciliation statement. Few of the same are as follows.

Name of Suppliers	Amount (Rs.)	
	As per account	as per reconciliation
i. M/s Manson & Summer	4,33,871.99	4,34,102.16
ii. M/s Denzong Breweries (P) Ltd	1,37,37,627.58	1,37,28,777.58
iii. M/s Radico Khaitan Ltd	52,32,729.82	52,28,663.57

(C) Original agreement with the suppliers are not signed by authorized officials of the Corporation in most of the cases. Also date of stamp paper purchase resulted in void of the agreement.

Few cases of the same are given below :

Name of Suppliers	Contract valid upto	Date of purchase	Remarks
		Of stamp paper	
i. M/s Radico Khaitan Ltd	31.03.09	27.04.09	
ii. M/s Oriental Bottling Pvt. Ltd	31.03.09	25.08.09	
iii. M/s Maikal Breweries Pvt Ltd	31.03.09	25.04.09	
iv. M/s United Breweries Ltd	31.03.09	March'09	
v. M/s United Spirits	31.03.09	13.04.09	
vi. M/s IFB Agro Industries Ltd	31.03.09	13.04.09	
vii. M/s Diageo India Pvt. Ltd.		21.04.09	
(Date of execution of contract not mention in agreement)			
viii. M/s Golden Prince Wince India Pvt. Ltd.	31.03.09	15.04.09	
ix. M/s Pernod Ricard India (P) Ltd	31.03.09	11.06.09	

(D) Following details are not yet complied in spite of writing 'Complied' in year 2007-08, Audit Report Observation.

- Imprest Advance pending adjustment of Rs 2,78,156.65
- Godown wise reconciliation of all Suppliers

Corporation has taking steps for transfer of ownership of Jeep from Excise Department to OSBC, after that necessary effect will be given.

After completing reconciliation of all suppliers' accounts, the necessary adjustment shall be done in the respective books of accounts.

During the year 2008-09, a model Agreement was being prepared to change certain clauses for which it was delayed for collecting the Agreement from the Suppliers. At that time letter was issued to the Supplies for executing the Agreement for the year 2008-09. In this context, the Suppliers had submitted the Agreement and it was regularized and rectified from 2009-10 onwards.

Godown wise reconciliation of all suppliers.

No such Godown wise reconciliation with suppliers was made. OSBC informs all suppliers to attend the quarterly stock verification at Depot level and reconcile their stock position.



<p>18. Violation of Board of Director's DecisionAs per Board of Directors meeting held on 10.09.2008 Clause No-14:- Show cause notice should be issued to the suppliers through registered post those are not supplying for more than one year and if no response is received after issuing 3 letters their name should be deleted from the list. The same has not been implemented so far.</p>	<p>For delisting of Supplier from OSBC Suppliers list reconciliation of stock is required. In this context we have informed to the Suppliers who are not doing business for more than one year, for reconciliation and sediment of stock lying in OSBC depots. After destruction of stocks reconciliation will be made and accounts will be closed. Further the Board of Directors observed to prepare a list of such suppliers, who have suspended their operation.</p>
<p>19. Registration Fees of Rs. 900,000/- has been collected from the suppliers against due collection of Rs. 22,60,000/-i.e. Rs.20,000/- each from 113 suppliers. Also provision has not been done for the same, which resulted in under statement of income and profit.</p>	<p>Registration fee of Rs 9,00,000/- (Rupees Nine Lakh) has been collected from 45 Suppliers those who are continuing business with OSBC till date. The remaining Suppliers are not transacting any business with OSBC Ltd. Since 2006-07, for which no registration fee was collected.</p>
<p>20. An amount of Rs.1,70,21,746/- has been collected in the shape of drafts and cheques from Rayagada Branch and the same has been deposited on 02/04/2009 resulted in under statement of Sundry Debtors and under statement of Drafts/ Cheques in hand</p>	<p>Necessary effects shall be given in financial year 2009-2010.</p>

**ANNEXURE - II**

Comments of the Comptroller & Auditor General of India	Replies of the Management
<p>A. Comments on Profitability</p> <p>Profits Loss Accounts</p> <p>Income</p> <p>Interest on Term Deposit - Rs 5.24 crore</p> <p>1. The above is understated by Rs 54.17 lakh due to accounting of interest accrued and due as Rs 31.30 lakh instead of Rs 85.47 lakh on term deposits of Rs 42.49 crore as on 31 March 2009. This has also resulted in understatement current assets and profit for the year by Rs 54.17 lakh each.</p>	<p>Noted for examination and rectification in the accounts of the year 2009-10.</p>
<p>B. Comments on Financial Position</p> <p>Balance sheet</p> <p>Application of Funds</p> <p>Current liabilities and Provision</p> <p>Provision- Rs 21.56 crore (Sch-10)</p> <p>The above is understated by Rs 0.32 crore due to provision of income tax of Rs 9.69 crore. for the financial year 2008-09 on incorrect figure of "profit before taxation" as calculated by the management Rs 28.76 crore. Instead of tax liability of Rs 10.01 crore payable on actual figure of profit before tax of Rs 29.44 crore as per the authenticated and certified accounts. This has also resulted in understatement of provision for taxation and overstatement of profit after taxation by Rs 0.32 crore each.</p>	<p>Noted for future guidance. During finalization of accounts for the year 2009-10, the necessary provision for Income Tax of earlier year will be made.</p>



**C. Comments on Disclosure
Significant Accounting Policies
and Notes forming part of Accounts.**

1. A reference is invited to SI No. 11 notes forming part of accounts in which it has been disclosed that the Income tax assessment up to the Assessment year 2006-07 have been completed. On verification of records it was seen the Income tax assessment up to the Assessment year 2007-08 have been completed. Thus the disclosure is incorrect to that extent.

2. The Assessment Authority claimed Rs 2.80 crore towards balance income tax for the assessment year 2007-08. Against this order the company appealed before the Additional Commissioner of Income tax. Range 2, Bhubaneswar. The additional claim amounting to Rs 2.80 crore should have been shown as contingent liabilities.

3. Sundry Debtors (Schedule-7)

Age- wise classification of Debtors along with their details of being considered good, doubtful, secured, unsecured, etc, have not been disclosed in the accounts as per the requirement of Part I schedule vi of the companies act, 1956

4. Loans and Advances (Schedule – 8)

The details of loans and advances classifying it considered good, doubtful, secured, unsecured, etc have been disclosure in the accounts as per the requirement of part I schedule vi of the companies act, 1956.

Noted. This was omitted by mistake. The deficiencies will be rectified during preparation of accounts for the year 2009-10.

After reconciliation of sundry debtors party wise balance and their aging will be prepared for disclosure in accounts.

Noted



<p>D. Comments on Statutory Auditors report.</p> <p>A reference is invited to Para II of Annexure II to Auditors Report wherein it has been stated that pay roll deduction of Rs 4.54 lakh is showing debit balance under current liabilities resulting in under statement of Current liabilities.</p> <p>The above amount has been shown under the head other advances under current assets. Hence the statement of statutory auditors is not correct to that extent.</p>	<p>No comments</p>
<p>E. Other Comments.</p> <p>1. The Company has booked the cash discount receivable on prompt payment as against the rate of 0.5 to 1.5 percent as envisaged in the agreement with the suppliers without any declared accounting policy.</p> <p>2. Although the turnover of the company for the year 2008-09 was Rs 56.04 crore (except interest on term deposits & other income), the company has not prepared and attached cash flow statement to the accounts, as required under accounting standard -3</p> <p>3. The above represents the balance with different scheduled banks in shape of term deposit, out of which Rs 2 crore was invested in IDBI Term deposits on 1 April. 2009, against the balance of Rs 43.50 crore as per the ledger, the term deposit register showed Rs 42.49 crore. The details of the shortage balance of Rs 1.01 crore (Rs 43.50-Rs 42.49 crore) were not on record nor the term deposit certificate of Rs 1.01 crore were made available to audit. The above fact has not been disclosed in the accounts.</p>	<p>Noted for future guidance</p> <p>Noted. Henceforth from the year 2009-10 the corporation will take care to prepare and attach the cash flow statement.</p> <p>The shortage balance of Rs 101,29,393/- is due to non-positing of maturity amount of TDR ledger. But the same is shown in the TDR Register since 2006-07 and was produced to all Audits since then. However, our complier of accounts will be asked to look in to the matter in future.</p>



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

No. CAD (T)/Accts/ OSBC/2008-09/29/10-11/599

Date : 29.11.2010

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 2009.

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 2009.

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.

Encl : As above.

Yours faithfully,

**Sd/-
(S. R. DHALL)
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 2009.

The preparation of financial statements of the Orissa State Beverages Corporation Limited for the year ended 31st March 2009 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 September, 2010.

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 2009. 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 :

A. COMMENTS ON PROFITABILITY

PROFIT & LOSS ACCOUNT

INCOME

INTEREST ON TERM DEPOSIT : Rs. 5.24 Crore

- 1) The above is understated by Rs. 54.17 lakh due to accounting of interest accrued and due as Rs. 31.30 lakh instead of Rs. 85.47 lakh on term deposits of Rs. 42.49 crore as on 31st March, 2009. This has also resulted in understatement Current Assets and Profit for the year by Rs. 54.17 lakh each.

**B. COMMENTS ON FINANCIAL POSITION****BALANCE SHEET****APPLICATION OF FUNDS****CURRENT ASSETS, LOANS AND ADVANCES****PROVISIONS (Schedule -10) Rs. 21.56 Crore**

1. The above is understated by Rs. 0.32 crore due to provision of Income Tax of Rs. 9.69 crore for the financial year 2008-09 on incorrect figure of profit before taxation as calculated by the management of Rs. 28.76 crore instead of tax liability of Rs. 10.01 crore payable on actual figure of profit before tax of Rs. 29.44 crore as per the authenticated and certified accounts. This has also resulted in understatement of Provision for taxation and overstatement of profit after taxation by Rs. 0.32 crore each.

C. COMMENTS ON DISCLOSURE**SIGNIFICANT ACCOUNTING POLICIES AND****NOTES FORMING PART OF THE ACCOUNTS.**

1) A reference is invited to Sl.No.11 of Notes forming part of Accounts in which it has been disclosed that the Income Tax assessment up to the Assessment Year 2006-07 have been completed. On verification of records it was seen the Income Tax assessment up to the Assessment year 2007-08 have been completed. Thus the disclosure is incorrect to that extent.

2) The Assessment Authority claimed Rs. 2.80 crore towards balance income tax for the assessment year 2007-08. Against this order, the company appealed before the Additional Commissioner of Income Tax Range 2, Bhubaneswar. The additional claim amounting to Rs. 2.80 crore should have been shown as contingent liability.

3) Sundry Debtors (Schedule-7)

The age-wise classification of debtors along with their details of being considered good, doubtful, secured, unsecured, etc. have not been disclosed in the accounts as per the requirement of part -I Schedule - VI of the Companies Act, 1956.

4) Loans and Advances (Schedule-8)

The details of Loans and Advances classifying it considered good, doubtful, secured, unsecured, etc. have not been disclosed in the Accounts as per the requirement of Part-I Schedule-VI of the Companies Act, 1956.

**D. COMMENTS ON STATUTORY AUDITOR'S REPORT**

1. A reference is invited to Para (II) of Annexure - II to the Auditor's Report wherein it has been stated that pay roll deduction of Rs. 4.54 lakh is showing debit balance under current liabilities resulting in under statement of Current liabilities. The above amount has been shown under the head "other advances" under Current Assets. Hence the statement of the Statutory Auditors is not correct to that extent.

E. Other comments

1. The Company has booked the cash discount receivable on prompt payment to the suppliers at a flat rate of 0.75 percent on the amount payable as against the rate of 0.5 to 1.5 percent as envisaged in the agreement with the suppliers without an declared accounting policy.
2. Although the turnover of the Company for the year 2008-2009 was Rs. 56.04 crore (except interest on term deposit and other income), the Company has not prepared and attached Cash Flow Statement to the accounts, as required under Accounting Standard -3.

CASH & BANK (SCHEDULE-6)**In Term Deposits : Rs 45.50 Crore.**

3) The above represents the balance with different schedule banks in shape of term deposits, out of which Rs. 2 Crore was invested in IDBI Term Deposits on 1st April 2009. Against the balance of Rs. 43.50 crore as per the Ledger, the Term Deposit register showed Rs. 42.49 crore. The details of the shortage balance of Rs. 1.01 crore (Rs. 43.50 - Rs. 42.49 crore) were not on record nor the term deposit certificate of Rs. 1.01 crore were made available to audit. The above fact has not been disclosed in the accounts.

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

Place : Bhubaneswar
Dt : 30.11.2010

**Sd/-
(S. R. DHALL)
ACCOUNTANT GENERAL**

**SAROJ RAY & ASSOCIATES****COMPANY SECRETARIES**

Plot No. -6/215, IRC Village Jaydev Vihar,

Bhubaneswar - 751 013, Orissa

Ph.:(0674)2360840, 2360841, 2360842

Fax : (0674)2360840

E-mail: info@sracs.com, sraconsultants@gmail.com

Visit us : www.sracs.com

COMPLIANCE CERTIFICATE

Regd. No. of the Company : 15-006372

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

To**The Members,****M/s. Orissa State Beverage 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 March 2009. 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:
 - i. has not invited public to subscribe for its shares 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 28.06.2008, 10.09.2008, 08.12.2008 & 27.02.2009 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 2008 was held on 30th September 2008 after giving due notice to the members of the company and the resolutions passed there at 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 2009.
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.
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 Sri Taradatt, IAS appointed as New Director and Sri S. P. Misra, IAS and Sri G.V.V. Sarma, IAS are ceased from directorship.
15. During the financial year Sri S. Nayak, IAS Excise Commisisoner, Orissa, Cuttack takes the additional charge of Managing Director after superannuation of ex-Managing Director Sri S. P. Misra, IAS.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approval of the Central Govt. Company Law Board, Regional Director, Registrar and such Authorities prescribe under the various provision 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 is 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 2009.
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.
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 Provident Fund Act.

**For Saroj Ray & Associates
(Company Secretaries)**

**Place : Bhubaneswar
Date : 01.09.2009**

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

**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 2009**

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.	20B	159(I)	Annual Return 30.09.2008	27.12.2008	No	Yes
2.	66	383A	Compliance Certificate 31.03.2008	24.10.2008	Yes	NA
3.	32	303(2)	Appointment and cessation of Managing Director on 6.01.09 and 31.12.2009 respectively	15.01.2009	Yes	NA
4.	32	303(2)	Cessation of Directorship of Sri GVV Sarma, IAS on 24.11.2008	29.12.2008	No	Yes
5.	32	303(2)	Appointment of Sri Taradatta, IAS as Chairman on 04.12.2008	14.02.2009	No	Yes
6.	23AC/ 23ACA	303(2)	Annual Accounts for the year 2005-2006.	30.03.2009	No	Yes



ORISSA STATE BEVERAGES CORPORATION LTD.

STATUTORY AUDIT REPORT FOR THE FINANCIAL YEAR 2008-2009

**P. K. SAHOO & CO.
CHARTERED ACCOUNTANTS
PLOT NO. 1113, NAYAPALLI,
BHUBANESWAR - 751012
PH. NO. : 0674-2562935, 2561935,
MOB. : 9437002935**



P. K. SAHOO & CO .

CHARTERED ACCOUNTANTS

1113, Nayapalli (Behind Krishna Tower), Bhubaneswar - 751012, (Orissa), Ph : 0674-2561935, 2562935, 9437002935(M)
E-mail : p_ksahoo2002@yahoo.co.in

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, 2009 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, on 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-I 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,2009 and
 - b) in the case of Profit & Loss Account of the PROFIT for the year ended on that date.

Place : Bhubaneswar
Date : 17th Sept. 2010

For **P. K. Sahoo & Co.**
(Chartered Accountants)
Sd/-
(P. K. Sao, F.C.A.)
Partner

**ANNEXURE - I TO THE AUDITORS REPORT****(Referred to in Paragraph 3 in our report of an even date)**

- i. In respect of its fixed assets :**
- 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. In respect of its inventories :**
- 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, and according to 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.** According to the information and explanation given to us 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 Companies Act, 1956.
- iv.** In our opinion and according to the information and explanations given to us, as the company does not have purchases of stores, raw materials including components etc. and sale of goods, not adequate internal control procedure has been framed by the company for purchases and sales. The company purchases furniture and fixture, office equipment 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.** According to the information and explanation given to us the Company has not entered into any contract or arrangements with other parties during the year which needs to be entered into a register pursuant 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.** According to the information and explanation given 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)** According to information and explanation given to us the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Customs duty, Excise duty, cess and other statutory dues with appropriate authorities.



- b) There are Income Tax demands of Rs.112,11,583/-, Rs.168,73,071/- & Rs.5,33,94,546/-, Rs. 8,56,805/- & Rs. 1,70,45,840/- for the financial year 2001-02, 2002-03, 2003-04, 2004-05 & 2005-06 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

Service tax of Rs. 4,89,52,859.19 is subjudice before the Appellate i.e. CESTAT, Kolkata.

- 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.** According to information and explanation given to us the company has not defaulted in repayment of dues to any financial institution or bank.
- xi.** According to information and explanation given to us 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 clauses 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 vise-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.** According to the information and explanations given to us, 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 (I) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (I of 1986)

Bhubaneswar
Date : 17th Sept, 2010

For **P. K. Sahoo & Co.**
(Chartered Accountants)

Sd/-
(P. K. Saoo, F.C.A.)
Partner



ORISSA STATE BEVERAGES CORPORATON LTD. BHUBANESWAR
ANNEXURE - II TO THE AUDITOR'S REPORT

1. Interest Payable

An amount of Rs. 1,64,384/- has been appearing since long against "Interest Payable to Government". As replied by management, the same has been rectified during the year 2009-2010. The same has resulted in over statement of liability.

2. Additional Security Deposit

a) Following accounts are showing debit balance since long in liabilities, resulting in under statement of liabilities.

<u>Name of the Parties</u>	<u>Amount (Rs.)</u>
* M/s. Mc. Dowell	Rs. 3,49,987/-
* M/s. Shaw Wallace Brew	Rs. 6,79,560/-

Reconciliation of the same has not been done.

b) In the following cases, credit balances have been appearing in liabilities since long without any adjustment. Reconciliation of the same has not yet been done.

<u>Name of the Parties</u>	<u>Amount (Rs.)</u>
* M/s. Narang Beverages	Rs. 4,14,960/-
* M/s. Maikal Brew.	Rs. 2,30,000/-

The same has resulted in over statement of liabilities.

3. Central Sales Tax

CST of Rs. 44,880/- has been paid but not reflected in the account during the year 2008-2009, which resulted in under statement of expenditure and over statement of profit.

4. Professional Tax of Rs. 5,000/- paid for the year 2006-07 and 2007-08 on 08.07.2008 resulted in over statement of expenditure of the year and under statement of prior period expenditure.

5. In the following cases, reconciliation has not been done in sundry creditors ledger accounts. Balance confirmations have not been obtained from the parties.

<u>Name of the Parties</u>	<u>Amount (Rs.)</u>
M/s. East Coast Breweries & Distilleries Ltd.	1,96,502.95
M/s. Appolo Alcho Beverages	2,41,013.27
M/s. Gemini Distrilleries	84,677.99
M/s. Iceberg Industries Ltd.	6,28,706.45
M/s. Manav Breweries Pvt. Ltd.	1,97,445.66
M/s. Mohan Meakin Ltd.	2,23,476.67
M/s. National Industries Corporation	89,693.86
M/s. Oasis Distillereis Ltd.	66,015.46



M/s. Ocean Beverages	1,05,905.30
M/s. SKOL Breweries Ltd.	9,14,77,650.91
M/s. Tripti Alcobrew Ltd.	2,22,491.44
M/s. Vinbros & Co.	74,832.52
M/s. Yukson Breweries Ltd.	1,39,674.44
M/s. Whyte Hall & Mackay (I) Ltd.	97,218.11
6.	Reconciliation of the following parties has not been done and balance confirmations have not been obtained in sundry creditor debit balance.
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>
* M/s. Denzong Brew	10,26,026.92
* M/s. Maikal Brew	5,78,854.97
* M/s. Pernod Ricard India - II	97,50,847.20
* M/s. Pernod Ricard India	22,63,27,861.24
* M/s. Seagram - II	72,730.75
7.	<u>Old Sundry Creditors</u>
	In the following cases, reconciliation of the parties have not been done. Also balance confirmation have not been obtained.
<u>Name of the Parties</u>	<u>Amount (Rs.)</u>
* M/s. Artos Breweries Ltd.	19,892.00
* M/s. Hindustan Brew & Bottling	5,343.85
* M/s. Lilasons Breweries Ltd.	1,26,938.21
* M/s. Maikal Brew (Inter State)	6,11,983.00
* M/s. Narang Breweries	3,63,026.25
8.	Inspite of our previous audit observation, following imprest advance have not been adjusted.
<u>Name of the Branch</u>	<u>Amount (Rs.)</u>
* Balasore Branch	50,000.00
* Berhampur Branch	48,004.75
* Manguli Branch	50,000.00
* Pahal Branch	3,627.30
* Rayagada Branch	51,127.60
* Sambalpur Branch	75,397.00
9.	<u>Old Sundry Debtors</u>
	In the following cases, sundry debtors reconciliation has not been done. Also balance confirmation certificates have not been obtained.



<u>Name of the Parties</u>	<u>Amount (Rs.)</u>
* M/s. Denzong Brew.	6,08,309.25
* M/s. Royal Enterprise	6,11,983.00
10. Franchise Fees Payable of Rs. 12,27,57,096.80 resulting in over statement of Liabilities.	
11. Pay Roll deduction of Rs. 4,53,550.01 is showing debit balance under current liabilities, resulting in under statement of current liabilities.	
12. Cess amounting to Rs. 41,55,075.77 showing credit balance under "Duties & Taxes" is not supported with documents. Accounting effect could not be given due to lack of the same.	
13. Surcharge on IMFL of Rs. 1,16,19,340.28 is not supported with documents. In absence of which accounting effect could not be given.	
14. Rs.36,36,690/- has been debited to 'Advance to Excise Department' under current assets since long. But not initiation has been taken by the management for recovery of the same.	
15. Under current liabilities Rs. 1,40,63,962.31 is showing debit balance in favour of Excise Superintendent, Khurda. No Step has been taken to regularize the same.	
16. Details of other liabilities for Rs. 12,98,40,133.29 is not available.	
17. <u>Non-compliance of previous year Audit Report</u>	
(a) Five numbers of Jeeps amounting to Rs. 17.37 Lakhs have not be accounted for in the Books of Accounts.	
(b) <u>Wrong reconciliation of Suppliers Accounts</u>	
In most of the cases difference in reconciliation has been observed between figures of the Books and Reconciliation Statement. Few of the same are as follows.	
<u>Name of Suppliers</u>	<u>Amount (Rs.)</u>
	<u>as per account</u>
	<u>as per reconciliation</u>
i) M/s. Manson & Summer	4,33,871.99
ii) M/s. Denzong Breweries (P) Ltd.	1,37,37,627.58
iii) M/s. Radico Khaitan Ltd.	52,32,729.82
(c) Original agreement with the suppliers are not signed by the authorised officials of the corporation in most of the cases. Also date of stamp paper purchased resulted in void of the agreement. Few cases of the same are given below :	



<u>Name of Suppliers</u>	<u>Contract valid upto</u>	<u>Date of purchase</u> <u>of stamp paper</u>	<u>Remarks</u>
i) M/s. Radico Khaitan Ltd.	31.03.09	27.04.09	
ii) M/s. Oriental Bottling Pvt. Ltd.	31.03.09	25.08.09	
iii) M/s. Maikal Breweries Pvt. Ltd.	31.03.09	25.04.09	
iv) M/s. United Breweries Ltd.	31.03.09	March, 09	
v) M/s. United Spirits	31.03.09	13.04.09	
vi) M/s. IFB Agro Industries Ltd.	31.03.09	13.04.09	
vii) M/s. Diageo India Pvt. Ltd.	----	21.04.09	
viii) M/s. Golden Prince Wines India Pvt. Ltd.	31.03.09	15.04.09	(Date of execution of the contract is not mentioned in the agreement)
ix) M/s. Pernod Ricard India (P) Ltd.	31.03.09	11.06.09	

(d) Following details are not yet complied in spite of writing "Complied" in 2007-08 Audit Report Observation.

* Imprest Advance pending adjustment of Rs. 2,78,156.65

* Godown wise reconciliation of all Suppliers.

18. **Violation of Board of Director's Decision**

As per Board of Directors meeting held on 10.09.2008 Clause No. 14. Show cause notice should be issued to suppliers through registered post those are not supplying for more than one year and if no response is received after issuing 3 letters their name should be deleted from the list. The same has not been implemented so far.

19. Registration Fees of Rs. 900,000/- has been collected from the suppliers against due collection of Rs. 22,60,000/- i.e. Rs. 20,000/- each from 113 suppliers. Also provision has not been done for the same, which resulted in under statement of income and profit.

20. An amount of Rs. 1,70,21,746/- has been collected in the shape of drafts and cheques from Rayagada Branch and the same has been deposited on 02.04.2009 resulted in under statement of Sundry Debtors and under Statement of Drafts / Cheques in hand.

Bhubaneswar
Date : 17th Sept, 2010

For **P. K. Sahoo & Co.**
(Chartered Accountants)
Sd/-
(P. K. Saoo, F.C.A.)
Partner
Membership No. 053138



Directions under Section 619 (3) (a) of the Companies Act, 1956. Annexure - III

I) Corporate Government and Audit Committee :

- i) The Company has not been listed on the stock, exchange.
- ii) Whether the Company has 50% independent directors on their Board as required under SEBI Guidelines ? **Not applicable.**
- iii) The company has formed an Audit committee in compliance with Section 292A of the Companies Act, 1956.
- iv) Audit Committee has discussed the qualifications made in the Auditor's report as well as important comments, audit paras of Government Audit and has given recommendations for taking appropriate corrective action in the next year's accounts.
- v) The Audit Committee has examined the replies to paragraphs, min-reviews, sectoral reviews, comprehensive appraisals, etc included in various Audit Reports of the C & AG before their submission to Government Audit / Committee on Public Undertakings.
- vi) The BOD has reported in the Director's Report to the shareholders compliance to their responsibility statement under section 217 (2AA) of the Companies Act, 1956.

II). Business Risk :-

- i) No such, Statutory or REgulatory requirement or change in Government policy that could impari the financial stability or profitability of the entity observed.
- ii) No such, unusually repaid growth, especially compared with that of other companies in the same Industry noticed.
- iii) Unrealistically aggressive sales or profitability incentive programme are observed during audit period.
- iv) The company does not have the system for making a business plan, short term/long term and review of the same vis-a-vis the actual during the audit period.

III). Disinvestment :

Not Applicable.

IV) Productivity :

Physical parameter to indicate level of performance of the Company. The Productivity of 3 Ms (Man, Machine and Materials) may be indicated for the last three year. **Not Applicable.**

- i) Productivity of man per employee. **Not Applicable.**
- ii) Productivity of machine Percentage of Utilization. **Not Applicable**
- iii) Productivity of material. Per unit consumption of principa; raw materials against norms, if any. **Not applicable.**



- iv) Manpower's of the corporation are working mainly on the basis of deputation and contractual basis.

V) System of Accounts & Financial Control :

- i) The duties and responsibility including the delegation of powers at various levels of Management have been adequately defined.
- ii) No such prescribed guidelines / Accounting manual in connection with accounts & finance are followed by the Corporation.
- iii) Notes to Accounts, qualifications in Auditor's Report and comments of the C & AG for last three years have been reviewed by the Management but 05 nos. of Jeeps for an amount of Rs. 17.37 lakhs has not been added with the Fixed Asset, which was detected by the AG Audit in the previous year in spite of declaration for adding the same in current year.
- iv) The Company has a clear credit policy for providing for doubtful debts/write off & liquidated damages. No such reasons found to analyse such as non-completion of performance tests, litigation, retention sales etc. for significant sundry debtors.
- v) The system of giving discount to promote sale is fair to the best of our knowledge. The instructions for allowing discount are issued in writing and communicated properly to sales outlets.
- vi) The Company has a system of monitoring the timely recovery of outstanding dues. No such significant instances of failure of the system found during the verification.
- vii) Through there is a system of obtaining confirmation of balances from debtors, however the company has not obtained the same during the audit.
- viii) There are no such cases of waiver of debts/loans/ interest etc.
- ix) Is there an adequate system of timely lodging of claims with outside parties ? Whether the claims are properly monitored ? No such claims found with outside parties.
- x) The credit obtained is monitored regularly and the terms of loan are no such that they have a negative impact on the earnings of the Company. the system of utilization of loan and the system of obtaining statutory benefit is satisfactory.
- xi) Examine and comment upon the reasonableness of assumption made by the Actuary in providing for retirement benefits as per Accounting Standard 15. No such case arises as employees are on deputation.

VI) Fraud / Risk :

- i) Yes, the Company has **delineated** fraud policy.
- ii) Director's have taken proper and sufficient care for preventing and detecting frauds and other irregularities.



- iii) There are no such cases of violation of delegated Financial Power during the peirod under report.
- iv) Whether legal / experts opinion in suspicious cases has been obtained and action taken accordingly. **No adverse comment.**
- v) The Vigilance Department / Wing is not established in the Company.

VII) **Assets (Including Inventory) :**

- i) The maintenance of records such as fixed assets register, etc is satisfactory.
- ii) The installation and commissioning of plant and machinery is not required, as the organization is a service provider company.
- iii) Capitalization of assets done on due dates & revenue expenditure has been charged.
- iv) Examine whether the Company has prescribed the following in regard to the Mangement of stores :
 - a) Maximum and minimum limits of stores and spares etc.
 - b) Economic order quantity for procurement of stores.

since it is a service provider company it is **Not Applicable.**
- v) Regulation made for the purpose of control over stores, including stock taking and valuatino of stock, stores & work in-progress at the end of the financial year are adequate are not duly enforced.
- vi) Does the work in progress contain any item, which has remained under work in progress, for an unduly long time ? **No such cases found.**
- vii) Whether ABC analysis has been adopted to control the inventory ? Not applicable as it is a service industry.
- viii) The physical verification, valuation of stock has been done by the Company.
- ix) The system of valuation of fixed assets, sruvey-off procedure and provision of assets and specific capital spares surveyed-off is satisfactory.
- x) The surplus / obsolete/ non-moving items of stock have not been destroyed by the Company.
- xi) Whether proper records are maintained for inventories lying with third parties and assets received as gift from Government or other authorities ? **Not Applicable.**
- xii) Are there any lapses in the internal control system right from ordering till the consumption of stores ? **No Adverse Comment.**
- xiii) Indicate the assets and Plant & Machinery items, which have not been in use over a considerable peirod of time (say 5 years) and the reasons there of. **No Adverse Comment.**



- xiv) Whether there are instances of huge losses incurred due to sale of goods at prices lower than the prevailing market prices, citing poor quality as a reason, immediately subsequent to the balance sheet date ? **No such Cases found.**
- xv) The norms of storage losses have not been fixed.
- xvi) Demurrage / Wharf age incurred during the year and reasons there of. **No Adverse Comment.**

VIII) Investment :

Not applicable

IX) Liabilities and Loan :

- i) The total amount of loan include interest accrued on loan from Government of Orissa of Rs. 1,64,384/- has been appearing since long.
- ii) Whether guarantee fee payable to the Government of India as per terms of loan agreement has been accounted for properly ? **Not Applicable.**
- iii) Whether any part or whole of the Loans from Government and / or interest accrued thereon have been either converted into equity or waived by the Government, if so, its impact on the financial position of the Company ? **No such cases found.**
- iv) Are the terms of the loan agreement such that they make the entity especially vulnerable to changes in the interest rate ? **No Adverse Comment.**
- v) Check the loan profile of the Company to find out whether the high cost debts were swapped with low cost market borrowings. **No such cases found.**
- vi) The Company has not received large loan from other PSUs or enterprises not related with the business of the Company.
- vii) The Company is not involved in doing the MSMED Programmes during the period under Audit.

X) Award & Execution of Contracts :

- i) The Company has devised a proper system of tendering for awarding of various contracts.
- ii) The Company has an efficient system for monitoring and adjusting advances to contractors / suppliers. However other Advances and Advance to Supplier to the tune of Rs. 31,84,89,050.02 and Rs. 10,52,90,913.24 respectively needs to be adjusted.
- iii) The Company has settled all the issues viz. Performance Guarantee (PG) Tests, Recovery of Liquidity Damages (LDs) final payment etc.

XI) Costing Systems :

Not Applicable as the Company is service provider agency.

**XII) Internal Audit System :**

- i) The Company has hired the services of Chartered Accountants as Internal Auditor. The reporting status, scope of work, level of competence of Internal Audit is not adequate. The company is having an inadequate compliance mechanism on Internal Audit observation.
- ii) The Company has not prescribed internal Audit standards / manual / guidelines.
- iii) The Internal Audit is accountable to the Audit Committee.

XIII) HRD :

- i) There is high turnover of Senior Management, Professional Advisors or Board Member and other key personnel, because most of the staff are on deputation and contractual basis engaged by a Consultant.
- ii) The Company has not taken any step to analyse the cost of employee turnover and to reduce it.
- iii) Specify the VRS Policy evolved / adopted by the Company. Whether the policy has been implemented correctly? Whether the purpose of the VRS has been achieved by reduction of manpower? List out the shortcomings, if any, noticed. Not Applicable as most of the staffs are on deputation.
- iv) There is significant, prolonged understaffing in the Company.

XIV) Legal / Arbitration Cases :

- i) The legal cases are pending in connection with Income Tax, Sales Tax and Service Tax. Income Tax cases are pending from the Assessment Year 2001-2002 to 2007-08. Sales Tax cases are pending for the Financial Year 2001-2002 to 2007-08.
- ii) The Company has not any norms / procedure for large expenses. the norms / procedure for legal expenses is being finalised by Board.
- iii) The contingent Liabilities disclosed by the Company are not adequately cover the Court cases / arbitration cases pending against the Company.

XV) EDP Audit :

- i) The Company has not an approved IT Strategy or Plan.
- ii) The Company has not computerized its operations. The Financial Accounting function is being managed in Tally Package. Other Department such as Sales, Personnel Information, Payroll, Materials / Inventory Management etc. are not in computerised manner.



- iii) As the Company is not fully computerised, it requires correlating informaton from computer and manual in the audit process, which is time consuming. As the organization is not computerized audit through or around the computer is not applicable.
- iv) The Company has not envolved proper security policy for Software / Hardware.
- v) Identify the areas in which the auditor is of the view that the build-in-checks in the computer environment need to be reviweed. Also mention the percentage of acceptable audit risk in those identified areas. **No Adverse Comment.**
- vi) The Company has not a document retention policy.
- vii) There is not such software in the Company to prepare reports.
- viii) There is no such system of documentation of software programmes.
- ix) Comment whether changes made in software have the approval of Management and the lead time given to staff to get accustomed to it before making it fuly operatonal. Not Applicable.
- x) There is no such planing found to make online the entire IT activity in the organization.
- xi) The Company has not any System Department, to be responsible for both hiring / buying EDP equipment hardware and Software and also certifying their usability, because some speciic software is uesed.

XVI) Environment Management :

Compliance of the various Pollution Control Acts and the impact thereof and policy of the Company in this regard may be checked and commented upon. No Adverse Comment.

XVII) General :

- i) The Company has not entered into Memorandum of Understanding with its administrative ministry.
- ii) Does the Company present a case for energy audit ? If yes, has the audit been conducted bya specialized agency ? Not Applicable.

Bhubaneswar
Date : 17th Sept, 2010

For **P. K. Sahoo & Co.**
(Chartered Accountants)
Sd/-
(P. K. Saoo, F.C.A.)
Partner
Membership No. 053138



**ORISSA STATE BEVERAGES CORPORATION
BHUBANESWAR
BALANCE SHEET AS AT 31ST MARCH, 2009**

	Sch. No.	Amount (Rs.)	As at 31.03.2009 Amount (Rs.)	Amount (Rs.)	As at 31.03.2008 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>430,473,001.82</u>	440,473,001.82	232,985,200.99	242,985,200.99
<u>2) Loan Funds</u>					
a) Secured Loan	3.	-		-	
b) Unsecured Loan	4	<u>164,384.00</u>	<u>164,384.00</u>	<u>164,384.00</u>	<u>164,384.00</u>
TOTAL:			<u>440,637,385.82</u>		<u>243,149,584.99</u>
II.APPLICATION OR FUNDS					
<u>1) Fixed Assets:</u>					
a) Gross Block	5	17,979,354.25		15,495,811.25	
b) Less Depreciation	18	<u>13,078,406.80</u>		<u>12,097,793.48</u>	
c) Net Block			4,900,947.46		3,398,017.77
<u>(2) Current Assets, Loans and Advances</u>					
a) Current Assets :					
i) Cash & Bank Balance	6	614,245,083.81		395,345,322.99	
ii) Other Current Assets	7	49,269,258.39		94,202,966.21	
b) Loans & Advances	8	<u>744,198,081.06</u>		<u>819,291,431.64</u>	
		<u>1,407,712,423.26</u>		<u>1,308,839,720.84</u>	
less: Current Liabilities and provisions					
a) Current Liabilities	9	756,364,601.85		950,348,700.57	
b) Provisions	10	<u>215,611,383.05</u>		<u>118,739,453.05</u>	
		<u>971,975,984.90</u>		<u>1,069,088,153.62</u>	
Net Current Assets			435,736,438.36		239,751,567.22
3) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED					
Preliminary Expenditure			-		-
TOTAL :			<u>440,637,385.82</u>		<u>243,149,584.99</u>

Schedules 1 to 18 and significant accounting policies and explanatory notes annexed hereto form an integral part of the Balance Sheet and Profit & Loss Account.

For P.K.Sahoo & Co
Chartered Accountants

Sd/-
(P.K. Sahoo)
Partner

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Sri Radha Raman Mohant, OFS)
Gen.Manager(Fin.)(l/c)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Paresh Chandra Nayak, IAS
Managing Director

Place : Bhubaneswar
Date: 17.09.201



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2009

	Sch. No.	<i>Figure For The Year Ending 31.03.2009 Amount (Rs.)</i>	<i>Figure For The Year Ending 31.03.2008 Amount (Rs.)</i>
INCOME			
Margin on operation		498,001,355.32	384,187,543.89
Export Permit pass Commission		1,018,983.00	475,607.00
Interest on Term Deposit		52,443,568.75	23,702,420.79
Registration Fee Collected		900,000.00	880,000.00
Cash Discount		60,504,813.82	43,267,901.63
Other Income		16,603,277.01	
		629,471,997.90	461,196,079.31
EXPENDITURE			
Advertisement & Business Development	11	370,002.00	1,620.00
Communication & Development	12	188,786.00	157,209.00
Godown Rent & Expenses		9,179,470.70	7,955,438.90
Office Rent		1,349,102.00	973,100.00
Office Expenses	13	475,213.70	481,545.80
Professional & Legal Charges	14	423,809.00	472,885.25
Donation		5,145,500.00	400,000.00
Salary & Wages	15	5,529,213.00	3,559,132.00
Travelling & Conveyance		92,023.00	79,728.00
Hire Charges of Vehicle		275,755.00	155,960.00
Audit Fees and Expenses	16	302,811.00	116,934.00
Insurance Premium		2,960.00	190,354.00
Licence, Privilege & Lable Reg.Fees		303,000,000.00	303,000,000.00
Printing & Stationary		323,488.00	241,859.00
Repair & maintenance		51,428.00	3,534.00
Security Service Charges		7,417,514.00	6,279,740.00
Financial Charges	17	3,850.36	2,983.00
Fringe Benefit Tax		35,728.00	-
Depreciation	18	980,613.31	783,999.05
Total Expenditure		335,147,267.07	324,856,022.00
NET PROFIT/(LOSS) FOR THE YEAR		294,324,730.83	136,340,057.31
Add / Less : Prior Period Profit			
Add / Less : Prior Period Income/ Expenditure		35,000.00	99,278.75
PROFIT/(LOSS) BEFORE TAXATION		294,359,730.83	136,240,778.56
LESS : Provision for Taxation		96,871,930.00	44,381,717.32
PROFIT / (LOSS) AFTER TAXATION		197,487,800.83	91,859,061.24
Add Balance Profit Bought from Last year		232,985,200.99	141,126,139.75
BALANCE PROFIT TRANSFERRED TO BALANCE SHEET		430,473,001.82	232,985,200.99

Schedules 1 to 18 and significant accounting policies and explanatory notes annexed hereto form an integral part of the Balance Sheet and Profit & Loss Account.

For P.K.Sahoo & Co
Chartered Accountants

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

Sd/-
(P.K. Sahoo)
Partner

Sd/-
(Sri Radha Raman Mohant, OFS)
Gen.Manager(Fin.)(l/c)

Sd/-
Sudarshan Nayak, IAS
Director

Sd/-
Sri Paresh Chandra Nayak, IAS
Managing Director

Place : Bhubaneswar
Date: 17.09.2010



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 2009

	AMOUNT		AMOUNT	
	As at 31.03.2009		As at 31.03.2008	
	Rs.	P.	Rs.	P.
<u>SHARE CAPITAL</u>				
<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>				
1,000,000 Equity shares Rs. 10/- each	10,000,000.00		10,000,000.00	
TOTAL	10,000,000.00		10,000,000.00	
<u>SCHEDULE-2</u>				
	Rs.	P.	Rs.	P.
<u>RESERVES & SURPLUS</u>				
Profit & Loss Account	430,473,001.82		232,985,200.99	
TOTAL	430,473,001.82		232,985,200.99	
<u>SCHEDULE-3</u>				
	Rs.	P.	Rs.	P.
<u>SECURED LOAN</u>				
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	-	-	-	-
<u>SCHEDULE-4</u>				
	Rs.	P.	Rs.	P.
<u>UNSECURED LOAN</u>				
Loan From Government Of Orissa	-	-	-	-
Interest Accrued and due on above	164,384.00		164,384.00	
TOTAL	164,384.00		164,384.00	
<u>SCHEDULE - 6</u>				
	Rs.	P.	Rs.	P.
<u>CASH & BANK BALANCE</u>				
Cash in Hand	3,868.80		972.00	
Cheques in Hand & Transit	-		-	
Balance with Scheduled Banks :				
In Current Accounts	159,196,055.01		115,214,957.99	
In Terms Deposits	455,045,160.00		280,129,393.00	
TOTAL	614,245,083.81		395,345,322.99	



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

	Amount		Amount	
	As at 31.03.2009		As at 31.03.2008	
<u>SCHEDULE - 7</u>	Rs.	P.	Rs.	P.
Other Current Assets				
a) Security Deposits	648,268.00		11,008.00	
b) Accrued Interest on Term Deposits	3,130,406.63		2,795,462.52	
c) Income Tax Deducted at Source (Receivable)	16,039,191.46		10,555,615.46	
d) Sundry Debtors	25,156,675.97		76,436,163.90	
e) Entry Tax Receivable	601,521.33		601,521.33	
f) Receivable from Govt. (Others)	3,693,195.00		3,803,195.00	
TOTAL	49,269,258.39		94,202,966.21	

Loans And Advances**SCHEDULE-8**

(Advances Recoverable in Cash or in Kind or for Value to be Received)

(Unsecured Considered Good)

a) Advance To employees	605,508.80		53,653.85	
b) Advance Income Tax	262,605,176.00		197,605,176.00	
c) Pre-paid insurance	-		526,768.00	
d) Other Advances	318,489,050.02		314,469,740.97	
e) Advance To Suppliers	105,290,913.24		244,059,606.54	
f) Advance BBI	84,788.00		84,788.00	
g) Income Tax Demand	52,022,645.00		52,022,645.00	
h) Advance Sales Tax	-		-	
i) Advance Service Tax	-		5,469,053.28	
j) Sales Tax Demand	5,100,000.00		5,000,000.00	
TOTAL	744,198,081.06		819,291,431.64	

Current Liabilities**SCHEDULE-9**

	Rs.	P.	Rs.	P.
a) Sundry Creditors				
i) Total Outstanding Dues to Small Scale Industrial Undertakings	—		—	
ii) Total Outstanding dues of Creditors other than Small Scale Undertakings	549,878,203.37		239,063,758.68	
b) Other Liabilities				
i) Security Deposits Received	11,600,000.00		9,100,000.00	
ii) Additional Security Deposits	9,438,005.00			
iii) Duties & Taxes Payable to Govt. of Orissa	55,567,154.19		101,224,876.62	
iv) Advance From Retailers	—		—	
v) Provident Fund Dues	—		—	
vi) Dues under Group Savings Linked Insurance Scheme	41,106.00		41,106.00	
vii) Registration Fees Pending Allocation	—		—	
viii) Registration Fee Received in Advance	—		—	
ix) Other Liabilities	129,840,133.29		135,534,828.37	
TOTAL	756,364,601.85		950,348,700.57	



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

Provisions	Amount As at 31.03.2009		Amount As at 31.03.2008	
	SCHEDULE-10	Rs. P.	Rs. P.	Rs. P.
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		3,504,328.00
e) Provision For Income Tax (2004-05)		10,484,045.73		10,484,045.73
f) Provision For Income Tax (2005-06)		6,479,732.00		6,479,732.00
g) Provision For Income Tax (2006-07)		45,200,975.00		45,200,975.00
h) Provision For Income Tax (2007-08)		44,381,717.32		44,381,717.32
i) Provision For Income Tax (2008-09)		96,871,930.00		—
TOTAL		215,611,383.05		118,739,453.05

	Rs.	P.	Rs.	P.
SCHEDULE-11				
Advertisement & Business Development				
Advertisement		39,445.00		—
Business Expenses		330,557.00		1,620.00
TOTAL		370,002.00		1,620.00

	Rs.	P.	Rs.	P.
SCHEDULE-12				
Communication & Development				
a) Postage & Telegram		111,976.00		91,299.00
b) Telephone Charges		76,810.00		65,910.00
c) Website Development Expenses		—		—
d) Computer Software		—		—
TOTAL		188,786.00		157,209.00

	Rs.	P.	Rs.	P.
SCHEDULE-13				
Office Expenses				
a) News Papers and Periodicals		7,166.50		6,150.50
b) Electric Charges		335,089.00		356,381.00
c) Office Expenses		41,139.00		37,496.00
d) Misc. Office Expenses		33,201.00		8,880.80
e) Water Charges		19,656.00		21,294.00
f) Books and Journals		—		—
g) Office Maintenance		32,422.20		42,027.30
h) B.O.D Meeting Expenses		6,540.00		9,317.00
TOTAL		475,213.70		481,545.80



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

	Amount As at 31.03.2009		Amount As at 31.03.2008	
	Rs.	P.	Rs.	P.
<u>SCHEDULE-14</u>				
<u>Professional & Legal Charges</u>				
a) Company Secretary's Retainer Fees	52,248.00		55,618.00	
b) Legal Charges	91,494.00		49,253.25	
c) Professional Charges	280,067.00		368,014.00	
TOTAL	423,809.00		472,885.25	

	Amount As at 31.03.2009		Amount As at 31.03.2008	
	Rs.	P.	Rs.	P.
<u>SCHEDULE-15</u>				
<u>Salaries & Wages</u>				
a) Leave Salary & Pension Contribution	230,331.00		366,643.00	
b) Salary & Wages	5,298,882.00		3,192,489.00	
c) Subsistence Allowance	—		—	
TOTAL	5,529,213.00		3,559,132.00	

	Amount As at 31.03.2009		Amount As at 31.03.2008	
	Rs.	P.	Rs.	P.
<u>SCHEDULE-16</u>				
<u>Audit Fees & Expenses</u>				
a) Statutory Audit Fees	140,973.00		—	
b) Tax Audit Fees	13,860.00		5,618.00	
c) Internal Audit Fees	131,124.00		106,292.00	
d) Other Audit Fees	16,854.00		5,024.00	
TOTAL	302,811.00		116,934.00	

	Amount As at 31.03.2009		Amount As at 31.03.2008	
	Rs.	P.	Rs.	P.
<u>SCHEDULE-17</u>				
<u>Financial Charges</u>				
a) Bank Charges	3,850.36		2,983.00	
b) Interest on Short Term Loan	—		—	
c) Interest on Govt. Loan	—		—	
TOTAL	3,850.36		2,983.00	



ORISSA STATE BEVERAGES CORPORATION LIMITED

BHUBANESWAR

SCHEDULE - 5 (2008 - 09)

DEPRECIATION SCHEDULE FOR THE YEAR ENDING ON 31.03.2009

FIXED ASSETS

Sl. No.	ITEM	Rate	GROSS BLOCK			DEPRECIATION			NET BLOCK			
			Cost As On 01.04.08	Addition during the Year <180 days	Addition during the Year >180 days	Total Cost As On 31.03.09	Depreciation As On 01.04.08	Depreciation during the year	Depreciation adjusted during the year	Total Depreciation as on 31.03.09	Written down value as on 31.03.08	Written down value as on 31.03.09
1.	Air Conditioner	13.91%	896,331.15	-	-	896,331.15	559,824.69	46,808.05	-	606,632.74	336,506.46	289,698.41
2.	Computer	40.00%	4,874,834.00	107,3200.00	895,787.00	5,877,941.00	4,666,599.68	305,379.13	-	4,971,978.81	208,234.32	905,962.19
3.	Furniture & Fixture	18.10%	3,703,449.50	-	-	3,703,449.50	2,757,409.94	171,233.16	-	2,928,643.10	946,039.56	774,806.40
4.	Electric Fittings	13.91%	796,614.60	23,625.00	-	820,239.60	507,694.59	43,475.01	-	551,169.60	288,920.01	269,070.00
5.	Office Equipments	13.91%	2,242,399.00	580,187.00	876,624.00	3,699,210.00	1,342,481.26	266,851.77	-	1,609,333.03	899,917.74	2,089,876.97
6.	Vehicle	25.89%	2,189,063.00	-	-	2,189,063.00	1,797,270.04	101,435.20	-	1,898,705.23	391,792.96	290,357.77
7.	Audio Visual	13.91%	793,120.00	-	-	793,120.00	466,513.29	45,430.99	-	511,944.29	326,606.71	281,175.71
	Total		15,495,811.25	711,132.00	1,772,411.00	17,979,354.25	12,097,793.49	980,613.31	-	13,078,406.80	3,398,017.76	4,900,947.45

For P.K.Sahoo & Co
Chartered Accountants

Sd/-
(P.K. Sahoo)
Partner

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Sri Radha Raman Mohanty)
Chief Manager (Fin)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Paresh Chandra Nayak, IAS
Managing Director

Place : Bhubaneswar
Date: 17.09.2010



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 herein 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 is taken into account in yearly basis.
 - d) The Expenditures are allocated and charged to respective expenditure heads as and when accrued / spent for the period of the financial statement.
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 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.
5. Income Tax provision is made on the total profit considering the depreciation allowance applicable as per the Income Tax Rules.
6. The credit balance of Sundry Creditors amounting to Rs. 54,98,78,203.37 have been shown under the head "Sundry Creditors" and the debit balance of Rs. 10,52,90,913.24 have been shown under head "Advance to Suppliers".
7. **(a)** None of the Employees draw remuneration more than Rs. 2,00,000/- per month or Rs. 24,00,000/- per annum.

(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.2,00,000/- per month

(i)	No of Employees	Nil
(ii)	Salary & Wages	Nil
(iii)	Corporations' Contribution to Provident & Other Funds	Nil
8. Interest on term Deposit as shown in the Profit & Loss Account Rs. 5,24,43,568.75 is gross.
9. Previous years figures have been regrouped, recast and rearranged wherever is necessary.
10. Salary & Wages includes Rs. 3,01,914.00 paid as salary and Travelling and Conveyance includes Rs. 18,563.00 paid toward Travelling & Allowance to Directors.
11. The Income Tax Assessments up to the Assessment year 2006-07 have been completed. However, Income Tax Authorities have raised demand notice on disputed amount of Rs. 1,70,45,840.00 for the A.Y. 2006-07. The Corporation has filed an appeal before Commissioner of Income Tax on disputed amount for the A.Y.2001-02 to A.Y. 2006-07. 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.
12. Cash Discount received / receivable are recognized on yearly basis based on actual payment made to the suppliers net off duty and taxes and reinvestment in duties, if any.



13. 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 and also the IT authorities have recovered the tax demand amounting to Rs.1,68,73,071.00 for the A.Y. 2003-04 through Bank on dated 17.01.2007. Advance Tax has been paid by the corporation for the financial year 2008-09.
14. Margin on Operation includes Margin Rounding off, and Margin on Operation for the year 2008-09.
15. Registration Fees of Rs,9,00,000/- has been recognized as income during the financial year 2008-09.
16. The Corporation provided 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.
17. 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 Rs. 250.33 Lakhs for the 2001-02. For the financial year 2001-02 Rs. 50 lakhs have been paid on 13/04/2006 against demand raised by Sales Tax Authorities.
18. The Commissioner of Service Tax issued a Demand cum Show Cause Notice to pay Rs. 7,04,22,331/- towards service tax, for which a case has been filed with CESTAT, Kolkata.

For P.K.Sahoo & Co
Chartered Accountants

Sd/-
(CA. P.K. Sahoo)
Partner

Place : Bhubaneswar
Date: 11.09.2010

For Orissa State Beverages
Corporation Ltd.

Sd/-
(R. R. Mohanty, OFS)
Chief Manager (Fin.)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri P. C. Nayak, IAS
Managing Director



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

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

For P.K.Sahoo & Co
Chartered Accountants

Sd/-
(CA. P.K. Sahoo)
Partner

Place : Bhubaneswar
Date: 17.09.2010

For Orissa State Beverages
Corporation Ltd.

Sd/-
(R. R. Mohanty, OFS)
Chief Manager (Fin.)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri P. C. Nayak, IAS
Managing Director



COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of ORISSA STATE BEVERAGES CORPORATION LTD. for the year ended 31.03.2009 in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619 (3) (a) of the Companies Act, 1956 and certify that we have complied with all the directions / sub directions issued to us.

PLOT No. 1113, NAYAPALLI
BHUBANESWAR - 751012

FOR P. K. SAHOO & CO.
CHARTERED ACCOUNTANTS
Firm Registration No. 317058E

DATE : 17.09.2010

Sd/-
P. K. SAHOO, F.C.A.
PARTNER
Membership No. 053138



Based on audit of the enterprise please give your impression/ comments on following areas

- (i) Corporate Governance and Audit Committee
- (ii) Business Risk
- (iii) Disinvestments (if applicable)
- (iv) Productivity
- (v) system of Accounts & Financial Control
- (vi) Fraud/ Risk
- (vii) Assets (including Inventory)
- (viii) Investment
- (ix) Liabilities and Loans
- (x) Award & Execution of Contracts
- (xi) Costing Systems
- (xii) Internal Audit System
- (xiii) HRD
- (xiv) Local/ Arbitration Cases
- (xv) DDP Audit
- (xvi) Environmental Management
- (xvii) General

ANNEXURE - 1

(I) Corporate Governance and Audit Committee

- (1) The company has not been listed on the stock exchange.
- (2) Whether the company has 50% independent directors on their Board as prepared under SEBI guidelines ? Not applicable
- (3) Yes, the company has Formed on Audit Committee in compliance with Section 292 A



of the companies Act, 1956.

- (4) Yes Audit Committee has discussed the qualifications made in the Auditor's report as well as important comments, audit paras of Government Audit and has been recommendations for taking appropriate corrective action in the next year's accounts.
- (5) Yes, the Audit Committee has examined the replies to paragraphs, min reviews, sectoral reviews, comprehensive appraisals, etc included in various Audit Reports of the C & AG before their submission to Government Audit/ Committee on Public Undertakings.
- (6) Yes, the BOD has reported in the Director's Report to the shareholders compliance to their responsibility statement under section 217 (2AA) of the Companies Act, 1956.

(II) Business Risk

- (1) No, such Statutory or Regulatory requirement or change in Government policy that could impair the financial stability or profitability of the entity.
- (2) No such, unusually, rapid growth, especially compared with that of other companies in the same Industry.
- (3) No such unrealistically aggressive sales or profitability incentive programmes found.
- (4) No such system for making a business plan, short term/ long term & review of the same vis-a-vis the actual comes to our knowledge during the audit.

(III) Disinvestment

- (1) The mode of disinvestments (i.e. Trade sale, Management & Employees Buy Out, Mass Privatization, Public auction, Flotation, Liquidation, Private placement) may be disclosed.
- (2) What is the present stage of disinvestments process ?
- (3) If the Company has been selected for dsinvestments, the following needs careful examination and reporting.
 - (a) Has the company accounted for all its assets (including intengible assets), liabiliites, income and expenditure as per the requirement of relevant AS and nothing are left out of book.
 - (b) Whether the assets of the Company, especially land, valued at nominal cost has been revalued keeping in view the market rate for consideration of the net worth of the Company at the time of sale.
 - (c) Reserve & Surplus : Whether the committed reserves and general reserves created over the years are disclosed distinctly ? If utilization of general reserve is substantial, specify the conditions of utilization and whether these conditions are covered under the



byelaws/ articles of the Company and provisions of the Companies Act, 1956 ?

- (d) Whether any investment was made by the Company during the process of Disinvestment ? If so, whether such investment were in the interest of the office of extending undue advantages to the Bidders ?

(IV) Productivity

Physical parameters to indicate level of performance of the Company. The productivity of 3 Ms (Man, Machine & Material) may be indicated for the last three year ? Not applicable

- (1) Productivity of man per employee is Not Applicable
- (2) Productivity of machine Percentage of utilization is Not Applicable.
- (3) Productivity of material per unit consumption of principle raw material against norms, Not Applicable.
- (4) What type of Process improvement and variation reduction measures are being used by the Management ? Whether the Management is applying programmes like six sigma in this connection ? Manpower's of the corporation are working mainly on the basis of deputation and contractual basis.

(V) Systems of Accounts & Financial Control

- (1) The duties and responsibilities including the delegation of powers at various levels of Management have been adequately defined.
- (2) Examine the systems of accounts and financial control being followed by the company and give your views are regards their deficiencies along with suggestions for remedial measures. No such prescribed guidelines/ manual in connection with accounts and finance to be followed by the corporation.
- (3) Notes to Accounts, qualifications in Auditor's Report and comments of the C & AG may be reviewed for the last 3 years and the Management has taken satisfactory action after review.
- (4) Yes, the Company has a clear credit policy, for providing for doubtful debts/ write offs & liquidated damages. No such reasons found to analyse these reasons such as non-completion of performance tests, litigations, retention sale, etc for significant sundry debtors.
- (5) The system of giving discount to promote sales is fair to the best of our knowledge. Yes, the instructions for allowing discount are issued in writing and communicated properly to sales outlets.
- (6) Yes, the Company has a system of monitoring the timely recovery of outstanding dues ?



No such significant instances of failure of the system round during the verification.

- (7) Though there is the system of obtaining confirmation of balances from debtors, however the corporation has not obtained the same during the audit.
- (8) There is no such cases of waiver of debts/ loans/ interest etc.
- (9) Is there any adequate system of timely lodging of claims with outside parties ? Whether the claims are properly monitored ? No such claims found with outside parties.
- (10) No such negative impact found on the earnings of the company. The system of effective utilization of loans & the system of obtaining statutory benefits is well.
- (11) Examine and comment upon the reasonableness of assumptions made by the Actuary in providing for retirement benefits as per Accounting Standard 15. No such case arises as employees are on deputation.

(VI) Fraud / Risk (Not Applicable)

- (1) Whether the Company has delineated fraud policy ?
- (2) Whether the Director's have taken proper and sufficient care for preventing and detecting frauds and other irregularities ?
- (3) Are there any cases of violation of delegated Financial Powers during the period under report, which warrants "in-depth audit" ? If yes, please give a list of such cases.
- (4) Whether legal / experts opinion in suspicious cases has been obtained and action taken accordingly.
- (5) Does the Company have separate Vigilance Department / Wing ? To what extent is effective in its duty and whether its reports are submitted to the Board.

(VII) Assets (including inventory)

- (1) The position regarding maintenance of records such as fixed assets register, etc. were maintained properly.
- (2) Yes, the dates of installation and commissioning of plant and machinery been clearly fixed by the authority under delegated power of the Board.
- (3) Yes, capitalization of assets done on due dates & revenue expenditure, direct or indirect, charges or not.
- (4) Examine whether the Company has prescribed the following in regard to the management of stores: since it is a service provider company it is Not Applicable.



- (a) Maximum and minimum limits of stores and spares etc. Not Applicable
- (b) Economic order quantity for procurement of stores. Not Applicable
- (5) Regulation made for the purpose of control over stores, including stock taking and valuation of stock, stores & work-in-progress at the end of the financial year are adequate and duly enforced.
- (6) Does the work in progress contain any item, which has remained under work in progress, for an unduly long time ? Attach a list of such items indicating amount, period of pendency and reasons. No such Cases found.
- (7) ABC analysis has been adopted to control the inventory ? If not, impact on inventory may be analyzed. Not Applicable as it is a service industry.
- (8) Examine and comment on the system of physical verification, valuation, treatment of non-moving and slow moving items, their disposal and abnormal excess and shortage in respect of closing stock items. Not Applicable.
- (9) The system of valuation of fixed assets, survey-off procedure and provision of assets and specific capital spares surveyed off is satisfactory.
- (10) List out the surplus/ obsolete/ non-moving items of stores, raw materials, finished goods lying unused at the end of last 3 years. Not Applicable.
- (11) Whether proper records are maintained for inventories lying with that parties and assets received as gift Government or other authorities ? Not applicable
- (12) Are there any lapses in the internal control system right from ordering till the consumption of stores ? if yes the same be highlighted No Adverse Comments.
- (13) Indicate the assets and Plant & Machinery items, which have not been in use over a considerable period of time (say 5 years) and the reasons therefore.
- (14) Whether there are instances of huge loss incurred due to sale of goods at prices lower than the prevailing market prices, citing poor quality as a reason, immediately subsequent to the balance sheet date ? No Such Cases noticed.
- (15) Whether the norms of storages losses have been fixed ? What is the basis on which storage losses are regularized ? Indicate the abnormal storage losses suffered during the year under audit and amount realized there against. No Adverse Comments.
- (16) Demurrage / Wharf age incurred during the year and reasons therefore. No Adverse Comments.

(VIII) Investment (Not Applicable)

- (1) Whether policy has laid down an investment duly approved by the competent Authority by the company.

- (a) Is it in accordance with the laws, rules and regulations applicable to the Company ?
- (b) Whether investments are made according to the investment policy ?
- (c) Were the investment made by the company in its best interest ?
- (d) Is the shortfall in market value of the current investment and permanent diminution in the value of long-term investments reflected in the books ? If not, describe the failure.
- (2) Indicate whether the deposits with the banks/ financial institutions and others have been in accordance with laws, rules, regulations, etc. as applicable.
- (3) Indicate whether there has been grant of large loans to or placement of deposits with other PSUs or enterprises not related with the business of the company.
- (4) Whether the Company has significant investment in an industry or product line noted for rapid change ?
- (5) Whether the investments made in the subsidiaries have been valued properly keeping in view the financial position or the subsidiary ? If not, extent of diminution in the value of investments.

(IX) Liabilities and Loans

- (1) The total amount of loan including interest was of Rs.1,64,384/- at the end of the accounting year - 31st March, 2007. Interest was not made in repayment as at the end of the accounting period.
- (2) Whether guarantee fee payable to the Government of India as per the terms of loan agreement has been accounted for properly ? (Not Applicable)
- (3) Whether any part or whole of the Loans from Government and / or interest accrued thereon have been either converted into equity or waived by the Government, if so, it's impact on the financial position of the Company ? No Such Cases was made.
- (4) Are the terms of the loan agreements such that they made the entity especially vulnerable to changes in the interest rates ? No Changes were made.
- (5) Check the loan profile of the Company to find out whether the high cost debts were swapped with low cost market borrowings. No Such Cases found.
- (6) Indicate whether there have been receipts of large loan from other PSUs or enterprises not related with the business of the company. Not Applicable.

(IX) Award & Execution of Contracts

- (1) Yes, the company has devised a proper system of tendering for awarding of various

contracts.

- (2) Yes, the Company has an efficient system for monitoring and adjusting advances to contractors / suppliers. However other advance to the tune of Rs.30,3308,641.45 needs to be regularized.
- (3) Whether the company has settled all the issues viz. Performance Guarantee (PG) Tests. Recovery of Liquidity Damages (LDs), final payments etc. soon after the commissioning of the project ? Are there any cases of inordinate delay without sufficient justification ? Yes the company has settled the issues and no such case of delay found during the audit.

(XI) Costing Systems (Not applicable as Company is a service provider agency)

- (1) What is the costing policy being followed by the Company if the same has not been prescribed by the Government under the Companies Act, 1956 ?
- (2) Are the cost accounts being reconciled with financial accounts ?
- (3) Whether the company is computing the cost of major operations, jobs, products, processes and services regularly ? If not, describe the failures.
- (4) Whether the Company has an effective system for identification of idle labour hours and idle machine-hours ?
- (5) Was cost audit ordered in the case of the Company ? If so, highlight the major deficiencies pointed out in the latest cost audit report.
- (6) Examine the accounting treatment of rejects & scraps for determination of cost of production.

(XII) Internal Audit System

- (1) The Company is having Internal Audit section managed by hiring the services of professionals as Internal Auditors. Yes, the Internal Audit System stating its reporting status, scope of work, level of competence, etc. are adequate ? Yes the company is having an adequate compliance mechanism on internal audit observations.
- (2) These are no such internal audit standards / manual/ guidelines have been prescribed by the company.
- (3) Yes, the Internal Audit is accountable to the Audit Committee.

(XIII) HRD

- (1) Yes, there is high turnover of senior Management, legal counsel, professional advisors or board members and other key personnel. As more of the staffs are on deputation



and contractual basis engaged by a Consultant.

- (2) Whether cost of employee turnover has been analyzed and corrective steps taken to reduce it ? No such steps have been taken by the company.
- (3) Specify the VRS Policy evolved / adopted by the company. Whether the policy has been implemented correctly ? Whether the purpose of the VRS has been achieved by reduction of manpower ? List out the shortcomings, if any, notices. Not Applicable.

(XIV) Legal / Arbitration Cases :

- (1) Number of pending legal / arbitrating case indicating the age-wise analysis and reasons for their pendency. The legal cases are pending in connection with Income Tax, Sales Tax & Service Tax. Income Tax cases pending from the assessment year 2001-02 to 2005-06. Sales Tax cases pending for the financial year 2001-02, 2002-03 and 2003-04.
- (2) Whether any norms / procedures exist / proposed to be laid down for large legal expenses (Foreign & Local) incurred / to be incurred. The Norms and procedures for legal expenses are being finalized by Board.
- (3) Whether Contingent Liabilities disclosed by the Company adequately cover the court cases / arbitration cases pending against then Company ? Yes, the company disclosed in the notes on Accounts.

(XV) EDP Audit

- (1) Whether the organization has an approval IT strategy of Plan ? No
- (2) If the audit has computerized its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the major areas such as Financial Accounting, Sales Accounting, Personnel Information, Payroll, Materials/ Inventory/ Management, etc have been computerized. All the above areas are being maintained in the Computer in Tally Package, which is not adequate for smooth operation.
- (3) Indicate how this impacts on your work of auditing the Accounts and whether your audit through or around the computer. Yes, partially audit was done by the system.
- (4) Has the Company evolved proper security policy for Software / Hardware ? No such security policy evolved for Software/ Hardware.
- (5) Identify the areas in which the auditor is of the view that the built-in checks in the



computer environment need to be reviewed. Also mention the percentage of acceptable audit risk in those identified areas. No such areas identified.

- (6) Comment on any problem faced in extracting information from computer files due to lack of backup of past records or due to record corruption. Is there a document retention policy ? No such policy to retain the document has been implemented.
- (7) Comment whether the entity is able to take full advantage of the software as there are some reports that can be prepared using the software but are not being prepared due to lack of trained staff on any proper operating manual. There is no such Software used to prepare reports.
- (8) Please report the existence of a system of proper documentation of software programs. No such programmes.
- (9) Comment whether changes made in software have the approval of Management and the lead time given to staff to get accustomed to it before making it fully operational. Not Applicable.
- (10) Whether the Board is being briefed regularly about the new IT Strategy, if any, proposed to be incorporated for the Company as a whole, for which large funds are sanctioned. This is particularly relevant to organisations where the entire IT activity is to be made online in due course. No such case of planning found during the audit.
- (11) Whether the systems department is responsible for both hiring / buying EDP equipment Hardware & Software and also certifying their usability before final payment (both functions should be separate with the user department in the latter). No such systems as there are any specific software used.

For P.K. Sahoo & Co
Chartered Accountants

(XVI) Environmental Management

Sd/-
(P.K. Sahoo)
Partner

Compliance of the various Pollution Control Acts and the impact there of and policy of the Company in this regard may be checked and commented upon. No Adverse comments.

(XVII) General

- (1) Indicate whether the Company has enters in to a Memorandum of Understanding with

its administrative ministry ? If yes, have the targets in MoU been split unit-wise ? If so, attach a unit-wise statement of targets and achievements against the parameters in MoU. There is no such MoU.

- (2) Does the Company present a case for energy audit ? If yes, has the audit been conducted by a specialized agency ? Not Applicable.

COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of Orissa State Beverage Corporation Limited for the year ended on 31.03.2007 in accordance with the directions/ sub-direction issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act, 1956 and certify that we have complied with all the directions sub-directions issued to us.