

6th Annual Report 2005-2006



ORISSA STATE BEVERAGES CORPORATION LIMITED

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BOARD OF DIRECTORS AS ON 31.03.2006

1.	Shri A. K. Samantaray, I.A.S	Chairman-Cum-Managing Director (From 01.06.2005)
2.	Shri D. P. Das, I.A.S.	Director
3.	Shri B. K. Pattnaik, I.A.S.	Director
4.	Shri Syed Osatullha, I.A.S	Director
5.	Shri Taradatt, I.A.S.	Director

PRESENT BOARD OF DIRECTORS

1.	Shri Taradatt, I.A.S.	Chairman
2.	Shri B. K. Pattnaik, I. A.S	Director
3.	Shri T. K. Pandey, I.A.S	Director
4.	Shri K. C. Mishra, I.A.S.	Director
5.	Shri Sudarsan Nayak, I.A.S.	Managing Director

COMPANY SECRETARIES :

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

STATUTORY AUDITORS :

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

BANKERS :

Union Bank of India
State Bank of India

REGISTERED OFFICE :

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



DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR 2005-06

Sir / Madam,

Your Directors have pleasure in presenting the Sixth Annual Report of the Corporation with Audited Statements of Accounts for the year ended on 31st March 2006.

FINANCIAL HIGHLIGHT :

The financial results of the Company for the year ended 31st March 2005 vis-a-vis 31st March 2006 are :

Particular	For the year ended 31.03.2006 Amount in Rs.	For the Year ended 31.03.2005 Amount in Rs.
Income	260,688,880.39	255,396,333.18
Expenditure	243,029,742.12	224,951,948.76
Less : Preliminary Expenditure written off	0.00	73,422.40
Add/(Less): Prior period Profit	204,651.34	0.00
Add/ (Less): Prior period Income / Expenses	4,07,529.89	107,319.00
Profit before depreciation and tax	17,456,259.72	30,478,281.02
Less : Depreciation	1,268,074.81	1,910,743.02
Profit after depreciation and before tax	16,188,184.91	28,567,538.00
Less : Provision for tax	6,479,732.00	10,484,045.73
Profit after tax	9,708,452.91	18,083,492.27

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. 260,688,880.39 and the total expenditure was Rs. 244,297,816.93. The new profit for the year is Rs. 9,708,452.91.



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

RESOURCES :

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

MANAGEMENT :

Sri A. K. Samantaray, IAS, continued as the Chairman up to 01.06.2005 then after he assumed as the Chairman-cum-Managing Director of the Corporation. During the year Sri Pramode Kumar Mishra, IA & AS & Sri Pradip Kumar Jena, IAS ceased from Directorship of the Corporation. Sri Sailendra Narayan Sarangi, IAS continued as Managing Director up to 01.06.2005.

Sri B. K. Pattnaik, IAS and Sri Syed Osatullha, IAS, continued as Directors of the Corporation during the financial year. Sri Taradatt, IAS and Sri D. P. Das, IAS were appointed as Directors of 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 2006.

AUDITORS :

M/s Bhasin Hota & Co., Chartered Accountants, Bhubaneswar have been appointed by C & AG as auditors for the year 2005-06 vide Letter No. V/COY/Orissa/ORBEV/1/1190 Dtd. 10.11.2006

COMMENTS ON AUDITORS' REPORT :

The comments of your Management on the remarks made by the Statutory Auditor and the C & AG of India on the Accounts of the Corporation for the year 2005-2006 are enclosed with this report in Annexure - I & II respectively.

SECRETARIAL COMPLIANCE CERTIFICATE :

As per proviso to sub-section(1) of Section 383 A of the Companies Act, 1956, we are hereby enclosing a Secretarial Compliance Certificate for the year ended 31st March 2006 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 2006 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 : 27.02.2009**

On behalf of the Board

**Sd/-
(SRI TARADATT, IAS)
CHAIRMAN**



REPLIES OF THE MANAGEMENT ON THE COMMENTS OF THE STATUTORY AUDITORS.

COMMENTS OF THE STATUTORY AUDITOR

1) The Corporation's margin on operation is coming under the purview of Service Tax in respect of storage or ware housing services provided by the Corporation. The Commissioner, Service Tax, Bhubaneswar I & II has given demand to discharge the tax liability w.e.f. 16.08.2002. In pursuance of this demand the Corporation paid, under protest Rs. 3.68 crores on 31.03.2007 to the Service Tax Authorities for the period from April 2006 to February 2007. The Corporation is also contesting against levy of tax through the advocate.

In view of the above, the service tax liability on the date of Balance Sheet amounting to Rs.2.89 Crores as detailed below could have been disclosed as a Contingent Liability.

F.Y.	Taxable Value in Rs.	Rate of Tax including Cess	Amount (Rs.)
2002-03	9,001,929.00	5.10%	450,096.00
2003-04	121,378,444.00	5.10% & 8.16%	1,037,540.00
2004-05	113,656,323.00	8.16% & 10.20 %	1,857,162.00
2005-06	250,968,283.66	10.20%	25,598,764.93
TOTAL			28,943,562.93

REPLIES OF MANAGEMENT

The matter is under subjudice before the Hon'ble High Court Advance Service Tax of Rs. 930,156.49 paid against the demand of Service Tax authority under protest. As the liability has not been finalized and also pending before the Hon'ble High Court it was not considered a contingent liability. However, it is noted for future compliance.

2) Entry Tax Payable account shows the credit balance of Rs. 5,77,308.64 as the Corporation has first deposited the same on behalf of the suppliers for the stock supplied by them, which is subsequently recovered on disposal of liquor to retailers. As entry tax is recovered on the carry over stock at the revised landing price. This differential entry tax so recovered is payable to Government which has not been quantified by the Corporation. As the entry tax in question is to be realised from the suppliers the Corporation could not furnish the list of the suppliers in respect of which entry tax has been paid.

Entry Tax Receivable account shows the balance of Rs. 601,521.33 which is continuing since last years. However, the list of the suppliers could not be furnished by the Corporation from whom entry tax to be recovered and no action has been taken for its recovery by the Corporation.

Noted for future guidance.



3) Advance to Suppliers Rs. 331,013.55 :-

Attention invites serial number (e) of Schedule - 8 that Sundry Creditors debit balance of Rs. 331,013.55 are being shown under the head of advance to suppliers. Margin on operations is being charged on inoperative parties by the Corporation as a result of which the Sundry Creditors account shows debit balance. Some of the debit balance has been continuing since earlier years. Following are the Sundry Creditors debit balance shown under advance to supplier's head of account.

Name of the Party	Opening Balance as on 01.04.05	Debit During the Year	Credit During the Year	Closing Bal. as on 31.03.06. (Dr.)
BDALTD (Sale A/c.)	226,624.64 (Cr.)	1,543,249.04	1,225,192.20	91,432.00
Him Neel Breweries Ltd. (Sales A/c.)	263.27 (Dr.)	-	-	263.27
Impal Disti. & Brew.Ltd. (Sales A/c.)	4,719.80 (Cr.)	5,000.00	-	280.20
Mohan Meakin Ltd. (Sales A/c.)	195,994.58 (Cr.)	25,110.00	-	221104.58
Oasis Distilleries Ltd. (Sale A/c.)	501,254.69 (Cr.)	827,735.49	312,097.13	14,383.67
Rochees Breweries Ltd. Sale A/c.	3,549.63 (Dr.)	-	-	3549.63
Total	532,791.65 (Cr.)	2,401,094.53	1,537,289.33	331,013.55

Stock of no authority suppliers are lying at OSBC Ltd. godowns so stockholding charges, registration charges, etc. as per provision are being debited to supplier A/c. The said amounts will be adjusted against the Sale A/c of any suppliers / deficit in the supplier Sale A/c.wil be adjusted from the Security Deposited A/c. of the concerned suppliers during final settlement reconciliation.

4) Advance to Employees Rs. 314,815.90

The above said advance was paid earlier to respective depots as imperest advance, which are yet to be recovered. An amount of Rs. 279,012.40 is being continued in the Balance Sheet for a long period under the head of "Advance to Employees" and no steps have been taken by the Corporation for its recovery inspite of our comment given in last year report. detail of which is given below :

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

Noted



<p>5) <u>Reconciliation of Sundry Debtors & Sundry Creditors.</u> Reconciliation of Sundry Debtors & Creditors has not been made by the Corporation and the balance confirmation certificates have not been obtained in this context. The Corporation is being charged margin on operation upon the parties who stopped their operation/ transaction as a result of which profit and loss account shows over statement of profit. Inoperative parties could not be segregated due to non-reconciliation and non availability of confirmation certificates.</p>	Reconciliation of the suppliers with the OSBC account is going on. Due care will be given for compliance in future
<p>6) <u>Cash Discount :</u> The detail of Sundry Creditors of Rs. 23,90,63,758.68 is shown in the Balance Sheet as on 31.03.06. Corporation could have been earned a good amount of Cash Discounts if the payment will be made in compliance with the terms & conditions mentioned in the agreement.</p>	Noted
<p>7) <u>Verification of Depots :</u> During the verification of various Depots it is found that except one officer from OSBC all other employees are on contractual basis. As a result there is no proper control system on the breakage of bottles. Expiry Stocks of Beer Bottles are not being disposed of since long which is occupying the space of Godowns. The Corporation should take immediate steps to destroy the stocks in proper procedure in order to save the cost. During our verification of Balasore Depot we found that there are two godowns. The rent paid for the godown of Remuna Chowk (1st Godown) is quite higher in comparison to the prevailing market rate and 2nd godown. Though there is enough space and vacant adjacent godown of the second godown without any Corporation staff the reason of keeping Remuna godown that too at higher rate is not understood. It is also understood that the Remuna godown belongs to a party who is also the supplier of beverages of the Corporation.</p>	Management is taking steps for streamlining the depot management.
<p>8) <u>Manpower :</u> During the audit we faced lot of problems to get the co-operation in obtaining information, documents & other related records in time for the purpose of audit due to lack of adequate staffs. Most of the officers are on deputation and having dual charge. The persons working in computer for accounts job are also in the contractual basis. As the growth of the Corporation has increased manifold permanent professional should be deployed in the interest of the Corporation.</p>	Necessary steps have been taken to fill up the vacancies.
<p>9) <u>General :</u> Accounting Standard 22 on accounting for taxes on income is mandatory in respect of the Company w.e.f. the accounting period commencing on or after 1st April 2002. The Corporation has not been disclosing the Deferred Tax due to difference in depreciation rates for accounting purposes and tax purpose. The same is not in conformity with AS-22. No specific guideline or manual is found for maintenance of accounts.</p>	Noted for future guidance.



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

No. CAD (T)/Accts/ OSBC/2005-06/25/08-09/573

Date : 05.01.2009

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 2006.

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 2006.

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

Yours faithfully,

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



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ORISSA STATE BEVERAGES CORPORATION LIMITED FOR THE YEAR ENDED 31st MARCH 2006.

The preparation of financial statements of the Orissa State Beverages Corporation Limited for the year ended 31st March 2006 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 7th October 2007.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of the Orissa State Beverages Corporation Limited for the year ended 31st March 2006. 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 AND LOSS ACCOUNT
INCOME
MARGIN ON OPERATION Rs. 22.91 Crore.**

1. The above balance is made net off by the differential excise duty worth Rs. 56.68 Lakh payable to the Government of Orissa on sale of beer which has been accounted twice. This has resulted in overstatement of Current Liabilities and understatement of profit by Rs. 56.68 Lakh.
2. The above includes Rs. 26.54 lakh being the amount payable to the Aska Co-operative Sugar Industries Limited, on account of increase in supply price from Rs. 4.30 to Rs. 4.45 per pouch approved by the Government of Orissa. Wrong accounting of the liability as income has resulted in understatement of Current Liabilities and overstatement of Profit by Rs. 26.54 Lakh.

**B. COMMENTS ON FINANCIAL POSITION****Balance Sheet****Sources of Funds****Current Liabilities and Proviisons****Current Liabilities (Schedule - 9)****Sundry Creditors - Rs. 23.91 Crore.**

1) The decision of the Price Fixation Committee (March, 2005) for deduction of differential cost of transporation from suppliers who switched the source of supply from outside to inside the state during 2003-04 has not been given effect in the accounts. This has resulted in understatement of receivables from suppliers and current liabilities by Rs. 40.40 Lakhs.

Duties and Taxes payable to Government of Orissa Rs. 10.12 Crore.

2) Non-accounting of entry tax payable in respect of consignments brought to the godowns in March 2006 on behalf of the suppliers resulted in understatement of Current Assets (entry tax receivable) and Current Liability (entry tax payable to Government) by Rs. 14.43 Lakhs.

Application of Funds**Current Assets, Loans and Advances****Other Current Assets (Schedule - 7)****Sundry Debtors Rs. 4.29 Crore.**

3) The Company received cheque / bank drafts for Rs. 464.38 lakh on 31.03.2006 and deposited these into the Bank between 01.04.2006 to 04.04.2006 but had not accounted for these in the year 2005-06. Non accounting has resulted in understatement of cheque / drafts in hand / transit (Rs. 464.38 Lakh), overstatement of Sundry Debtors (Rs. 428.91 Lakh) and understatement of Advance from Retailers (Rs. 35.47 Lakh).

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

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



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

Comments of the C & AG of India	Replies of the Management.
<p>A. COMMENTS ON PROFITABILITY PROFIT & LOSS ACCOUNT</p> <p>INCOME :</p> <p>Margin on operation Rs. 22.91 Crore</p> <p>1) The above balance is made net off by the differential excise duty worth Rs. 56.68 lakhs payable to Government of Orissa on sale of beer which has been accounted twice. This resulted overstatement of current liabilities and understatement of profit by Rs. 56.68 lakhs.</p> <p>2) The above includes Rs. 26.54 lakhs being the amount payable to the Aska Co-operative Sugar Industries Limited on account of increase in the supply price from Rs. 4.30 to Rs. 4.45 per pouch approved by the Government of Orissa. Wrong accounting of liability as income has resulted in understatement of current liabilities and overstatement of profit by Rs. 26.54 Lakh.</p>	<p>1. Noted for guidance. The reversal and necessary adjustment entry will be made in the next year.</p> <p>2. During the year 2005-06 necessary accounting treatment in respect of payable amount of Rs. 26.54 lakhs arising out of approved hike in supply price from Rs. 4.30 to Rs. 4.45 per pouch has not been effected due to non-revision of existing rate of supplier. However, the matter is being examined and same will be made after observing due procedure in the A/c of Current year.</p>
<p>B. COMMENTS ON FINANCIAL POSITION</p> <p>Balance Sheet</p> <p>Sources of Funds</p> <p>Current Liabilities & Provisions</p> <p>Current Liabilities (Schedule - 9)</p> <p>Sundry Creditors Rs. 23.91 Crore.</p> <p>1) The decision of Price Fixation Committee (March 2005) for deduction of differential cost of transportation from four suppliers who switched the source of supply from out side to inside the state during the year 2003-04 has not been given effect in the accounts. This has resulted in understatement of receivables from suppliers and current liability by Rs.40.40 lakh.</p>	<p>1. As per decision of PFC (March, 05) the deduction of differential cost of transportation from four suppliers who had changed over their sources of supply from out side to inside during the year 2003-04 has not been made and given effect in A/c. However, the matter is being examined and implementation of such decision arrived by PFC is under process.</p>



<p>Duties and Taxes payable to Government of Orissa Rs. 10.12 Crore.</p> <p>2. Non accounting of entry tax payable in respect of consignments brought to the godowns in March, 2006 on behalf of the suppliers resulted in understatement of Current Assets (entry tax receivables) and Current Liabilities (entry tax payable to Government) by Rs. 14.43 lakhs.</p>	<p>2. Adhering to the past practice, the Corporation has been making payment on account of entry tax in the following month for the preceding month without passing entry in the account during the March,06. Hence, it is noted for future Guidance.</p>
<p>APPLICATION OF FUNDS</p> <p>Current Assets, Loans and Advances / Other Current Assets (Schedule-7) / Sundry Debtors Rs. 4.29 Crore.</p> <p>3. The Company received cheque /bank drafts for Rs. 464.38 lakhs on 31.03.2006 and deposited these into bank between 01.04.2006 to 04.04.2006 but had not accounted for these in the year 2005-06. Non accounting has resulted in understatement of cheque/drafts in hand/transit (Rs. 464.38 Lakh) overstatement of Sundry Debtors (Rs. 428.91 Lakhs) and understatement of advance from retailers (Rs. 35.47 Lakh).</p>	<p>3. Usually the cheques/drafts are initially received by existing different depots (Six Depots) of the Corporation. After the same being collected and received at corporate level, they are accounted for. However, the provision entry showing cheques / drafts in hand / transit has been escaped from the A/c inadvertently. So, noted for future guidance.</p>

**SAROJ RAY & ASSOCIATES**
COMPANY SECRETARIES

Plot No - 737/10, Jaydev Vihar
Bhubaneswar - 751 013, Orissa
Ph.:(0674)2360840, 2360841
Fax : (0674)2360845
E-mail: sraconsultants@gmail.com

COMPLIANCE CERTIFICATE

Regd. No. of the Company : 15-006372

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

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

We have examined the registers, records, books and papers of **M/s. Orissa State Beverages Corporation Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provision contained in the Memorandum and Articles of Association of the Company for the financial year ending on 31st March 2006. 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:



Continuation Sheet.....

- 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, directions or their relatives.
4. The Board of Directors duly met 4 (four) times on 29.06.2005, 28.09.2005, 26.12.2005 & 17.03.2006 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 2005 was held on 28th September 2005 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting was held during the financial year ended 31st March 2006.
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.



Continuation Sheet.....

11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approval from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year under scrutiny.
13. The Company has:
 - (i) issued share certificates on transfer of shares during the year under scrutiny.
 - (ii) not deposited any amount in separate Bank Account, as no dividend was declared during the financial year.
 - (iii) not required to post warrants to any member of the company as no dividend was declared during the financial year.
 - (iv) duly complied with requirement of section 217 of the Act.
14. The Board of Directors of the company duly constituted. During the year Mr. Taradatt, IAS is appointed as new director and subsequently Mr. Pradip Kumar Jena, IAS ceased from directorship.
15. During the year Mr. A. K. Samantaray, IAS appointed as Chairman-cum-Managing Director and Mr. Sailendra Narayan Sarangi, IAS was ceased from Managing Director, as per the direction of Government of Orissa.
16. The Company has not appointed any sole selling agents during the financial year.



Continuation Sheet.....

17. The Company was not required to obtain any approval of the Central Govt. Company Law Board, Regional Director, Registrar and such Authorities prescribe under the various provision of the Act during the financial year.
18. Being 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 2006.
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.



Continuation Sheet.....

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

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

**Place : Bhubaneswar
Date : 01.09.06**

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



Continuation Sheet.....

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

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

Other Registers :

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

Annexure - B

**FORMS & RETURNS AS FILED BY THE COMPANY WITH REGISTRAR OF
COMPANIES DURING THE FINANCIAL YEAR ENDING 31ST MARCH 2006**

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.	-	159(I)	Annual Return 30.09.2005	10.11.2005	Yes	-NA-
2.	-	383A	Compliance Certificate 31.03.2005	10.11.2005	No	Yes
3.	32	303(2)	Appointment and cessation of Directors on 22.08.2005	28.09.2005	Yes	NA
4.	32	303(2)	Appointment and cessation of Managing Director on 01.06.2005.	17.06.2005	Yes	NA



BHASIN HOTA & CO .

CHARTERED ACCOUNTANTS

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

AUDITOR'S REPORT

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

We have audited the attached Balance Sheet of **Orissa State Beverages Corporation Ltd.**, as at 31st March, 2006 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are responsibility of the Company's management . Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the **Companies (Auditor's Report) (Amendment) Order, 2004** issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure-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,2006 and
 - b) in the case of Profit & Loss Account of the PROFIT for the year ended on that date.

Place : Bhubaneswar
Date : 07.10.2008

For **Bhasin Hota & Co.**
(Chartered Accountants)
Sd/-
(C A. Kishor Hota)
Partner
Membership No. 085089



ANNEXURE - I TO THE AUDITORS REPORT

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

- i. a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets of the company have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed during such verification.
- c) The company has not disposed off any fixed assets during the year.
- ii. a) The company does not have stock of finished goods, stores, spare parts and raw materials of its own. However, there is a system of physical verification of stock held at different godowns on behalf of suppliers at reasonable intervals.
- b) In our opinion, as per information and explanations given to us, the procedure of physical verification followed by the company is reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion, as per information and explanations given to us, the company is maintaining proper records of inventory and the discrepancies, if any, between physical stock and book records noticed on such verification are properly dealt with in the books of accounts.
- iii. (a) (b) (c) & (d) The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms, or other parties covered in the register maintained u/s 301 of the Act.
- iv. In our opinion and according to the information and explanations given to us, as the company does not have purchases of stores, raw 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. (a) & (b) In our opinion, as per information and explanations given to us there are no transactions during the year that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- vi. The company has not accepted any deposits from the public during the year within the meaning of sections 58A & 58AA of the Companies Act 1956 and Rules framed there under.
- vii. As explained to us, maintenance of cost records has not been prescribed by the Central Government to the Company under section 209 (1)(d) if the Companies Act 1956.
- viii. a) As per checks carried out by us the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, 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.5,33,94,546.00 for the financial year 2001-02, 2002-03 & 2003-04 respectively which have been disputed by the Company and appeals are pending before the Income Tax authorities for the said years. The demand of Rs.12,11,583/-, Rs 1,68,73,071/- & Rs.2,00,00,000/- has been paid for the financial years 2001-02, 2002-03 & 2003-04 as attachment fees respectively. There are also Sale Tax demands for the following financial years issued by the Sale Tax Authority.

F.Y 2000-01	Rs.	1,57,216.00
F.Y 2001-02	Rs.	2,50,33,331.00
F.Y 2002-03	Rs.	3,22,04,314.00

Appeal is pending against above disputed demand before the Asst. Commissioner, Commercial Taxes and the Corporation obtained stay against disputed amount from Hon'ble High Court of Orissa by depositing Rs. 50,00,000/-

- ix. The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in this financial year and in the financial year immediately preceding this financial year also.
- x. The company has not defaulted in re-payment of dues to any financial institution or bank.
- xi. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. As explained to us this 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. 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)

**For BHASIN HOTA & CO
Chartered Accountants**

**Sd/-
(CA. Kishor Hota)
Partner.
Membership No.085089**

**Place : Bhubaneswar
Date : 07.10.2008**



ANNEXURE - II TO THE AUDITOR'S REPORT

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

1. **Contingent Liability:-**

The Corporation's margin on operation is coming under purview of Service Tax in respect of storage or warehousing services provided by the Corporation. The Commissioner, Service Tax, Bhubaneswar -I & II has been given demand to discharge of tax liability w.e.f. 16.08.2002. In pursuance of this demand the Corporation paid, under protest Rs. 3.68 crores on 31.03.2007 to the Service Tax Authorities for the period from April, 2006 to February 2007. The Corporation is also contesting against levy of tax through the advocate.

In view of the above the service tax liability up to the date of Balance Sheet amounting to Rs. 2.89 Crores as detailed below could have been disclosed as a Contingent Liability.

F.Y.	Taxable Value in Rs.	Rate of Tax including Cess	Amount (Rs.)
2002-03	9,001,929.00	5.10%	450,096.00
2003-04	121,378,444.00	5.10% & 8.16%	10,37,540.00
2004-05	113,656,323.00	8.16% & 10.20 %	1,857,162.00
2005-06	250,968,283.66	10.20%	25,598,764.93
TOTAL			28,943,562.93

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

Entry Tax Payable account shows the Credit balance of Rs. 577,308.64 as the Corporation has first deposited the same on behalf of the suppliers for the stock supplied by them, which is subsequently recovered on disposal of liquor to retailers. As entry tax is recovered on the carry over stock at the revised landing price. This differential entry tax so recovered is payable to Government which has not been quantified by the Corporation. As the entry tax in question is to be realised from the suppliers, the Corporation could not furnish the list of the suppliers in respect of which entry tax has been paid.

Entry Tax Receivable account shows the balance of Rs. 6,01,521.33 which is continuing since last year. However the list of the suppliers could not be furnished by the corporation from whom entry tax to be recovered and no action has been taken for its recovery by the Corporation.



3. Advance to Suppliers Rs. 331,013.55 :-

Attention invites serial number (e) of Schedule - 8 that Sundry Creditors' debit balance of Rs. 331013.55 are being shown under the head of advance to suppliers. Margin on operation is being charged on inoperative parties by the Corporation as a result of which the Sundry Creditors account shows debit balance. Some of the debit balance has been continuing since earlier year. Following are the Sundry Creditor's debit balance shown under advance to suppliers head of account.

Name of the Party	Opening Balance as on 01.04.05	Debit During the Year	Credit During the year	Closing Bal. as on 31.03.06 (Dr.)
BDA LTD (Sale A/c.)	226,624.64 (Cr.)	1,543,249.04	1,225,192.20	91,432.00
Him Neel Breweries Ltd. (Sales A/c.)	263.27 (Dr.)	-	-	263.27
Impal Disti. & Brew. Ltd.(Sales A/c.)	4,719.80 (Cr.)	5,000.00	-	280.20
Mohan Meakin Ltd. (Sales A/c.)	195,994.58 (Cr.)	25,110.00	-	221,104.58
Oasis Distilleries Ltd. (Sale A/c.)	501,254.69 (Cr.)	827,735.49	312,097.13	14,383.67
Rochees Breweries Ltd. (Sale A/c.)	3,549.63 (Dr.)	-	-	3,549.63
Total	532,791.65 (Cr.)	2,401,094.53	1,537,289.33	331,013.55

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

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

Name of the Depot	Year of Payment	Amount (Rs)
Head office Mr. S.K.Sahoo	2003-04	855.75
Balasore	2001-02	50,000.00
Berhampur	2001-02	48,004.75
Manguli	2001-02	50,000.00
Pahal	2001-02	3,627.30
Rayagada	2001-02	51,127.60
Sambalpur	2001-02	75,397.00
	Total	2,79,012.40



5. **Reconciliation of Sundry Debtors & Sundry Creditors.**

Reconciliation of Sundry Debtors & Sundry Creditors has not been made by the Corporation and the balance confirmation certificates have not been obtained in this context. The Corporation is being charged margin on operation upon the parties who stopped their operation / transaction as a result of which profit & loss account shows overstatement of profit. Inoperative parties could not be segregated due to non-reconciliation and non-availability of confirmation certificates.

6. **Cash Discount:**

The details of Sundry Creditors of Rs. 23,90,63,758.68 is shown in the Balance Sheet as on 31.03.06. Corporation could have been earned a good amount of Cash Discount if the payment will be made in compliance with the terms & conditions mentioned in the agreement.

7. **Verification of Depots :**

During the verification of various Depots it is found that except one officer from OSBC all other employees are on contractual basis. As a result there is no proper control system on the breakage of bottles. Expiry Stocks of Beer Bottles are not being disposed of since long which is occupying the space of Godowns. The Corporation should take immediate steps to destroy the stock in proper procedure in order to save the cost. During our verification of Balasore Depot we found that there are two godowns. The rent paid for the godown of Remuna-Chowk (1st Godown) is quite higher in comparison to the prevailing market rate and 2nd godown. Though there is enough space and vacant adjacent godown of the second godown without any Corporation's staff the reason of keeping Remuna godown that too at higher rate is not understood. It is also understood that the Remuna Godown belongs to a party who is also the supplier of beverages of the Corporation.

8. **Manpower :**

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

9. **General :**

Accounting Standard 22 on accounting for taxes on income is mandatory in respect of the Company w.e.f. the accounting period commencing on or after 1st April, 2002. The company has not been disclosed the Deferred Tax due to difference in depreciation rates for accounting purposes and tax purposes. The same is not in conformity with AS-22. No specific guidelines or manual is found for maintenance of accounts.

**Place : Bhubaneswar
Date : 07.10.08**

**For BHASIN HOTA & CO
Chartered Accountants**

**Sd/-
(C A. Kishor Hota)
Partner
Membership No.085089**



**ORISSA STATE BEVERAGES CORPORATION
BHUBANESWAR
BALANCE SHEET AS AT 31ST MARCH, 2006**

	Sch. No.	Amount (Rs.)	As at 31.03.2006 Amount (Rs)	Amount (Rs.)	As at 31.03.2005 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>52,040,000.07</u>	62,040,200.07	42,331,747.16	52,331,747.16
<u>2) Loan Funds</u>					
a) Secured Loan	3.	-		-	
b) Unsecured Loan	4	<u>12,400,000.00</u>	<u>12,400,000.00</u>	<u>10,000,000.00</u>	<u>10,000,000.00</u>
TOTAL:			<u>74,440,200.07</u>		<u>62,331,747.16</u>
II.APPLICATION OR FUNDS					
<u>1) Fixed Assets:</u>					
a) Gross Block	5	15,264,718.25		15,261,944.25	
b) Less Depreciation	18	<u>10,327,830.24</u>		<u>9,264,406.77</u>	
c) Net Block			4,936,888.01		5,997,537.48
<u>(2) Current Assets, Loans and Advances</u>					
a) Current Assets :					
i) Cash & Bank Balance	6	113,405,152.14		94,447,774.31	
ii) Other Current Assets	7	50,399,456.83		44,791,096.32	
b) Loans & Advances	8	<u>302,788,003.95</u>		<u>229,279,255.38</u>	
		<u>466,592,612.92</u>		<u>368,518,126.01</u>	
less: Current Liabilities and provisions					
a) Current Liabilities	9	367,932,540.13		289,506,887.60	
b) Provisions	10	<u>29,156,760.73</u>		<u>22,677,028.73</u>	
		<u>397,089,300.86</u>		<u>312,183,916.33</u>	
Net Current Assets			69,503,312.06		56,334,209.68
<u>3) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED</u>					
Preliminary Expenditure			-		-
TOTAL :			<u>74,440,200.07</u>		<u>62,331,747.16</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.

As per our report of an even date

For Bhasin Hota & Co
Chartered Accountants

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Kishor Hota, FCA)
Partner

Sd/-
N. N. Pattanaik, OFS(I)
Gen.Manager(Fin.)

Sd/-
S. Nayak, IAS
Director

Sd/-
S. P. Misra, IAS
Managing Director

Membership No.085089

Place : Bhubaneswar

Date: 07.10.2008



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDING ON 31ST MARCH, 2006

INCOME	Sch. No.	Figure For The Year Ending 31.03.2006 Amount (Rs.)	Figure For The Year Ending 31.03.2005 Amount (Rs.)
Margin on operation		229,049,771.52	203,639,331.10
Export Permit pass Commission		33,983.00	136,103.00
Interest on Term Deposit		6,759,933.41	12,192,905.79
Registration Fee Collected		1,235,000.00	3,038,730.00
Cash Discount		21,528,574.26	33,984,963.84
Other Income		2,081,618.20	2,404,299.45
Total Income		260,688,880.39	255,396,333.18
EXPENDITURE			
Advertisement & Business Development	11	50,237.50	36,465.00
Communication & Development	12	112,067.00	151,763.50
Godown Rent & Expenses		7,190,606.25	7,569,772.26
Office Rent		784,320.00	784,320.00
Office Expenses	13	460,236.35	508,063.95
Professional & Legal Charges	14	616,058.95	144,370.00
Donation		-	2,000,000.00
Salary & Wages	15	3,040,114.00	3,708,153.00
Travelling & Conveyance		26,676.00	36,780.60
Hire Charges of Vehicle		126,519.00	233,460.70
Audit Fees and Expenses	16	131,386.00	144,037.00
Insurance Premium		490,822.00	502,630.00
Licence, Privilege & Lable Reg.Fees		222,437,170.00	200,033,600.00
Printing & Stationary		315,306.30	245,595.50
Repair & maintenance		34,216.00	52,415.00
Security Service Charges		4,814,006.77	6,380,522.75
Financial Charges	17	2,400,000.00	2,400,000.00
Preliminary Expenses Written off		-	73,422.40
Depriciation	18	1,268,074.81	1,910,743.02
Total Expenditure		244,297,816.93	226,936,114.18
NET PROFIT/(LOSS) FOR THE YEAR		16,391,063.46	28,460,219.00
Add / Less : Prior Period Profit		204,651.34	-
Add / Less : Prior Period Income/ Expenditure		407,529.89	107,319.00
PROFIT/(LOSS) BEFORE TAXATION		16,188,184.91	28,567,538.00
LESS : Provision for Taxation		6,479,732.00	10,484,045.73
PROFIT / (LOSS) AFTER TAXATION		9,708,452.91	18,083,492.27
Add Balance Profit Bought from Last year		42,331,747.16	24,248,254.89
BALANCE PROFIT TRANSFERRED TO BALANCE SHEET		52,040,200.07	42,331,747.16

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.

As per our report of an even date

For Bhasin Hota & Co
Chartered Accountants

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Kishor Hota, FCA)
Partner

Sd/-
N. N. Pattanaik, OFS(I)
Gen.Manager(Fin.)

Sd/-
S. Nayak, IAS
Director

Sd/-
S. P. Misra, IAS
Managing Director

Membership No.085089
Place : Bhubaneswar
Date: 07.10.2008



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

	AMOUNT As at 31.03.2006		AMOUNT As at 31.03.2005	
	Rs.	P.	Rs.	P.
SHARE CAPITAL				
Authorised				
5,000,000 Equity Shares of Rs. 10/- each	50,000,000.00		50,000,000.00	
Issued Subscribed & Paid up Capital				
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	
RESERVES & SURPLUS				
Profit & Loss Account				
	52,040,200.07		42,331,747.16	
TOTAL	52,040,200.07		42,331,747.16	
SECURED LOAN				
Short Term Loan from Union Bank of India, C.S.Pur (Against security of Short Term Deposit of Rs. 6.00 Crore)				
Interest Accrued and due on above	-		-	
TOTAL	-		-	
UNSECURED LOAN				
Loan From Government Of Orissa Interest Accrued and due on above				
	10,000,000.00		10,000,000.00	
	2,400,000.00			
TOTAL	12,400,000.00		10,000,000.00	
CASH & BANK BALANCE				
Cash in Hand	1,552.65		2,479.80	
Cheques in Hand & Transit	-		-	
Balance with Scheduled Banks :				
In Current Accounts	62,903,599.49		61,996,392.51	
In Terms Deposits	50,500,000.00		32,448,902.00	
TOTAL	113,405,152.14		94,447,774.31	
Other Current Assets				
a) Security Deposits	11,008.00		11,008.00	
b) Accrued Interest on Term Deposits	1,099,739.73		944,813.00	
c) Income Tax Deducted at Source (Receivable)	5,770,593.46		4,913,564.00	
d) Sundry Debtors	42,890,889.31		38,294,484.99	
e) Entry Tax Receivable	601,521.33		601,521.33	
f) Receivable from Govt. (Others)	25,705.00		25,705.00	
TOTAL	50,399,456.83		44,791,096.32	



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

	Amount		Amount	
	As at 31.03.2006		As at 31.03.2005	
	Rs.	P.	Rs.	P.
<u>Loans And Advances</u>	<u>SCHEDULE-7</u>			
(Advances Recoverable in Cash or in Kind or for Value to be Received) (Unsecured Considered Good)				
a) Advance To employees	321,321.90		314,815.90	
b) Advance Income Tax	95,555,602.00		53,844,019.00	
c) Pre-paid insurance	343,829.00		369,303.00	
d) Other Advances	206,236,237.50		174,551,310.00	
e) Advance To Suppliers	331,013.55		199,807.48	
TOTAL	302,788,003.95		229,279,255.38	
<u>Current Liabilities</u>	<u>SCHEDULE-8</u>			
a) Sundry Creditors	—		—	
i) Total Outstanding Dues to Small Scale Industrial Undertakings				
ii) Total Outstanding dues of Creditors other than Small Scale Undertakings	239,063,758.68		168,136,149.81	
b) Other Liabilities				
i) Security Deposits Received	9,100,000.00		8,300,000.00	
ii) Additional Security Deposits	—		107,651.50	
iii) Duties & Taxes Payable to Govt. of Orissa	101,224,876.62		88,042,005.89	
iv) Advance From Retailers	—		—	
v) Provident Fund Dues	32,726.39		54,019.49	
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	18,470,072.44		24,825,954.91	
TOTAL	367,932,540.13		289,506,887.60	
<u>Provisions</u>	<u>SCHEDULE-9</u>			
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		—	
TOTAL	29,156,760.73		22,677,028.73	



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

	Amount As at 31.03.2006		Amount As at 31.03.2005	
	Rs.	P.	Rs.	P.
<u>SCHEDULE-10</u>				
<u>Advertisement & Business Development</u>				
Advertisement				16,275.00
Business Expenses	50,237.50			20,190.00
TOTAL	50,237.50			36,465.00
<u>SCHEDULE-11</u>				
<u>Communication & Development</u>				
a) Postage & Telegram	27,142.00			35,395.00
b) Telephone Charges	84,925.50			98,098.50
c) Website Development Expenses				
d) Compute Software development				18,270.00
TOTAL	112,067.00			151,763.50
<u>SCHEDULE-12</u>				
<u>Office Expenses</u>				
a) News Papers and Periodicals	5,730.60			6,520.00
b) Electric Charges	266,557.00			400,155.70
c) Office Expenses	8,082.00			26,102.75
d) Misc. Office Expenses	12,145.80			5,422.50
e) Water Charges	17,808.00			17,640.00
f) Books and Journals				
g) Office Maintenance	143,269.45			46,331.00
h) B.O.D Meeting Expenses	6,643.50			5,892.00
TOTAL	460,236.35			508,063.95
<u>SCHEDULE-13</u>				
<u>Professional & Legal Charges</u>				
a) Company Secretary's Retainer Fees				
b) Legal Charges	184,757.95			20,570.00
c) Professional Charges	431,301.00			123,800.00
TOTAL	616,058.95			144,370.00



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

	Amount As at 31.03.2006		Amount As at 31.03.2005	
SCHEDULE-14	Rs.	P.	Rs.	P.
<u>Salaries & Wages</u>				
a) Leave Salary & Pension Contribution	23,362.00		123,122.00	
b) Salary & Wages	3,000,934.00		3,585,031.00	
c) Subsistence Allowance	15,818.00		—	
TOTAL	3,040,114.00		3,708,153.00	

	Amount As at 31.03.2006		Amount As at 31.03.2005	
SCHEDULE-15	Rs.	P.	Rs.	P.
<u>Audit Fees & Expenses</u>				
a) Statutory Audit Fees			35,000.00	
b) Tax Audit Fees			5,000.00	
c) Internal Audit Fees	131,386.00		94,000.00	
d) Other Audit Fees			30,037.00	
TOTAL	131,386.00		164,037.00	

	Amount As at 31.03.2006		Amount As at 31.03.2005	
SCHEDULE-16	Rs.	P.	Rs.	P.
<u>Financial Charges</u>				
a) Bank Charges				
b) Interest on Short Term Loan				
c) Interest on Govt. Loan	2,400,000.00		2,400,000.00	
TOTAL	2,400,000.00		2,400,000.00	



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULE - 5 (2005 -06)
DEPRECIATION SCHEDULE FOR THE YEAR ENDING ON 31.03.2006

FIXED ASSETS SCHEDULE

Sl. No.	ITEM	Rate	GROSS BLOCK			DEPRECIATION				NET BLOCK		
			Cost As On 01.04.05	Addition during the Year	Deletion / Sale during the year	Total Cost As On 31.03.06	Depreciation As On 01.04.05	Depreciation during the year	Depreciation adjusted during the year	Total Depreciation as on 31.03.06	Written down value as on 31.03.05	Written down value as on 31.03.05
1.	Air Conditioner	13.91%	896,331.15	-	-	896,331.15	366,937.03	73,360.52	-	442,297.55	527,394.12	454,033.93
2.	Computer	40.00%	4,822,284.00	2,774.00	-	4,822,284.00	3,988,652.89	333,452.45	-	4,322,105.34	833,631.11	500,270.03
3.	Furniture & Fixture	18.10%	3,700,675.50	-	-	3,703,449.50	1,981,352.57	311,699.54	-	2,293,052.11	1,719,322.93	1,410,144.35
4.	Electric Fittings	13.91%	796,614.60	-	-	796,614.60	343,800.96	62,986.38	-	406,787.34	452,813.64	359,169.29
5.	Office Equipments	13.91%	2,063,866.00	-	-	2,063,866.00	869,263.99	166,167.75	-	1,035,431.74	1,194,592.01	1,028,312.38
6.	Vehicle	25.89%	2,189,063.00	-	-	2,189,063.00	1,226,506.59	249,205.86	-	1,475,712.45	962,556.41	713,142.75
7.	Audio Visual	13.91%	793,120.00	-	-	793,120.00	281,241.40	71,202.31	-	352,443.71	511,878.60	440,575.75
	Total		15,261,944.25	2,774.00	-	15,264,718.25	9,059,755.42	1,268,074.81	-	10,327,830.24	6,202,188.83	4,935,833.48



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 up to the financial year 2002-03 is recognized as income over a period of 10 accounting years. In view of change in policy, registration fees collected from suppliers, whether old or new are recognized as income for that year with effect from the financial year 2003-04 is followed consistently. The same method is followed during the year 2005-06.
 - d) The Expenditures are allocated and charged to respective expenditure heads as and when accrued / spent for the period of the financial statement.
 - e) The Preliminary & Pre-operative expenditures of Rs. NIL as reported by the Excise Deptt. Amortization of the said expenditure has been made over a period of 5 accounting periods.
3. **Fixed Assets:** Fixed assets are stated at cost including the incidental expenditure incurred to acquire the Fixed assets.
4. **Depreciation:** Depreciation is charged on all depreciable assets on the basis of written down value method as per the rates prescribed in Scheduled XIV of the Companies Act, 1956 as amended from time to time.
5. **Inventories :** As per the agreement between the company and the supplier, the stocks held in the godowns of the company are the stock of the supplier, the company will only earn margin on sales made on behalf of suppliers.
6. **Retirement Benefits of Employees :** The Corporation has taken employees from government and other organization on deputation basis. They are guided by the terms of deputation as fixed / to be fixed by the State Government / other Public Sector Undertakings.



Their retirement benefits including Gratuity & Leave Salary etc. are accounted for on cash basis as per the terms of deputation.

Notes Forming part of Accounts

1. The payments made by the suppliers for deposit with Superintendent , Khurda for obtaining the Licence for Procurement of IMFL & BEER is considered as additional security received from the Respective Suppliers and considered in the financial statement as additional security deposits net off the payments made to Excise Department.
2. The Balance confirmations from retailers & suppliers are not obtained.
3. The reconciliation of sales tax collected and sales tax paid, entry tax collected and entry tax paid, supplier balances are in progress.
4. Sales made on behalf on the supplier during the year is credited to respective 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 balance Preliminary Expenditure of Rs. NIL is amortized during the current year.
7. The credit balance of Sundry Creditors amounting to Rs. 239,063,758.68 have been shown under the head "Sundry Creditors" and the debit balance of Rs. 331,013.55 have been shown under head "Advance to Suppliers".
8. (a) Employees employed through out the year and were in receipt of remuneration not less than Rs. 3,000,934.00

(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.20,000/- per month

(i)	No of Employees	Nil
(ii)	Salary & Wages	Nil
(iii)	Corporations' Contribution to Provident & Other Funds	Nil
10. Interest on term Deposit as shown in the Profit & Loss Account Rs. 6,759,933.41 is gross.
11. Previous years figures have been regrouped, recast and rearranged wherever is necessary.
12. Salary & Wages includes Rs. 81,912.00 paid as salary and Travelling and Conveyance includes Rs. Nil paid toward Travelling & Allowance to Directors.
13. The Income Tax Assessments up to the Assessment year 2004-05 have been completed. However, Income Tax Authorities have raised demand notice on disputed amount of Rs. 5,33,94,546.00 for the A.Y. 2004-05. The Corporation has filed an appeal before Commissioner of Income Tax on disputed amount for the A.Y.2001-02 to A.Y. 2004-05. As a result of which amount paid to Income Tax is shown as "Advance against Income Tax" without adjustment with the head of "Provision for Income Tax" for the years. Details are given in Para - 14.



14. Cash Discount received / receivable are recognized on month to month basis based on actual payment made to the suppliers net off duty and taxes and reinvestment in duties, if any. However, the method of computation of Cash Discount has been changed in the year 2004-05 with retrospective effect regenerating additional revenue of Rs. 1,54,35,370.74 up to year 2003-04, including Rs. 3,39,84,963.84 for the year 2004-05 and has been recognized as income in the financial year 2004-05. In the changed method the cash discount is being computed on payment made to suppliers added with reinvestment in excise duty. Against service of such adverse Order Corporation has preferred appeal before Commissioner (IT, Appeal) which is still pending for the Assessment Year 2004-05.
- The I.T. Authorities have recovered the tax demand amounting to Rs. 2,00,00,000/- for the A.Y. 2004-05 through bank on dtd. 03.03.2007. Advance Tax has been paid by the corporation for the financial year 2005-06.
15. Margin on Operation includes Margin Rounding off, and Margin on Operation for the year 2005-06.
16. Registration Fees of Rs,12,35,000/- has been recognized as income during the financial year 2005-06.
17. The Corporation provides 5 nos. of vehicle to the Excise Commissioner at a total cost of Rs. 17,36,690/- under the head "Advance to Excise Commissioner" during the year 2003-04. These vehicles have been purchased in the name of the Excise commissioner. The Corporation earlier provided 5 nos. of vehicle to the Excise Commissioner at a total cost of Rs. 17,96,222/- in the year 2002-03. The Board of Directors in the 21st meeting held on 29.01.05 have decided that ownership of these 10 vehicles will be reverted back to the Corporation, which has not been incorporated.
18. After Assessment, the Sales Tax Authority has issued a demand of Rs.3,22,04,314/- for the financial year 2002-03 which has been disputed by the Corporation and preferred to file an appeal before the Commissioner of Sales Tax. The Corporation has also filed an appeal and obtained stay from Hon'ble High Court of Orissa against the demand raised by the Sales tax authority for Rs. 250.33 Lakhs for the 2001-02.

As per our report of an even date

For Bhasin Hota & Co Chartered Accountants	For Orissa State Beverages Corporation Ltd.	For Orissa State Beverages Corporation Ltd.	For Orissa State Beverages Corporation Ltd.
Sd/- (Kishor Hota, FCA) Partner	Sd/- N. N. Pattanaik, OFS(I) Gen.Manager(Fin.)	Sd/- S. Nayak, IAS Director	Sd/- S. P. Misra, IAS Managing Director
Membership No.085089 Place : Bhubaneswar Date: 07.10.2008			



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

I Registration Details

Registration No.

0	0	6	3	7	2
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 State Code

1	5
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Balance Sheet Date

3	1	0	3	0	6
---	---	---	---	---	---

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

Public Issue

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

 Right Issue

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

 Bonus Issue

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

 Private Placement

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

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

Total Liabilities

	7	4	4	4	0
--	---	---	---	---	---

 Total Assets

	7	4	4	4	0
--	---	---	---	---	---

IV Sources of Funds

Capital Funds

1	0	0	0	0
---	---	---	---	---

 Reserve & Surplus

5	2	0	4	0
---	---	---	---	---

 Secured Loans

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

 Unsecured Loans

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

V Application of Funds

Net Fixed Assets

	4	9	3	6
--	---	---	---	---

 Investments

--	--	--	--	--

 Net Current Assets

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

 Misc. Expenditure

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

Accumulated Losses

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

VI Performance of Company (Amount in Rs. Thousands)

Total Income

2	6	0	6	8	8
---	---	---	---	---	---

 Total Expenditure

2	4	4	2	9	7
---	---	---	---	---	---

 Profit Before Tax

1	6	1	8	8
---	---	---	---	---

 Profit After Tax

	9	7	0	8
--	---	---	---	---

Earning per share in Rs

	9	.	7	0
--	---	---	---	---

 Dividend Rate

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

VII Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No

I	M	F	L	B	E	E	R	&	C	O	U	N	T	R	Y	S	P	I	R	I	T
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

(ITC CODE)

Product Description

For Bhasin Hota & Co
Chartered Accountants

Sd/-
(Kishor Hota, FCA)
Partner

Membership No.085089

For Orissa State Beverages
Corporation Ltd.

Sd/-
N. N. Pattanaik, OFS(I)
Gen.Manager(Fin.)

For Orissa State Beverages
Corporation Ltd.

Sd/-
S. Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
S. P. Misra, IAS
Managing Director

Place : Bhubaneswar

Date: 07.10.2008