

7th Annual Report 2006-2007



ORISSA STATE BEVERAGES CORPORATION LIMITED

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BOARD OF DIRECTORS AS ON 31.03.2007

1.	Shri G.V.V. Sarma, I.A.S.	Chairman
2.	Shri A. K. Samantaray, I.A.S.	Director
3.	Shri B. K. Pattnaik, I.A.S.	Director
4.	Shri Sudarsan Nayak, I.A.S.	Director
5.	Shri Netrananda Ray	Director
6.	Shri Soumya Prasad Misra,	I.A.S. Managing Director

PRESENT BOARD OF DIRECTORS

1.	Shri S. Srinivasan, I.A.S.	Chairman-Cum-Managing Director
2.	Shri Saurabh Garg, I. A.S	Director
3.	Shri N. B. Dhal, I.A.S	Director
4.	Shri K. C. Mishra	Director
5.	Shri Sudarsan Nayak, I.A.S.	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 2006-07

Sir / Madam,

Your Directors have pleasure in presenting the 7th Annual Report of the Corporation with Audited Statements of Accounts for the year ended on 31st March 2007.

FINANCIAL HIGHLIGHT :

The financial results of the Company for the year ended 31st March 2006 vis-a-vis 31st March 2007 are :

Particular	For the year ended 31.03.2007 Amount in Rs.	For the Year ended 31.03.2006 Amount in Rs.
Total Income	360,850,069.41	260,688,880.39
Total Expenditure	222,118,749.87	243,029,742.12
Profit before tax & depreciation	138,731,319.54	17,659,138.27
Less depreciation	985,964.19	1268,074.81
Profit after depreciation	137,745,355.35	16,391,063.46
Add/less prior period: profit/loss	2,655,780.00	204,651.00
Add/less net prior period	802,660.67	407,52.009
Income/expenditure		
Profit before tax	134,286,914.68	16,188,184.91
Provision for tax	45,200,975.00	6,479,732.00
Profit after tax	89,085,939.68	9,708,452.91
Profit transferred to balance sheet	141,126,139.75	52,040,200.07

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. 360,850,069.44 and the total expenditure was Rs. 223,104,714.06. The new profit for the year is Rs. 89,085,939.68.

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 G.V.V. Sarma, IAS, appointed as the Chairman of the Corporation in place of Sri A.K. Samantaray, IAS and Sri Soumya Prasad Mishra, IAS, appointed as new Managing Director during the financial year 2006-2007. Sri K.C. Mishra, appointed as Director in place of Sri D.P. Das, IAS and Sri Sudarsan Nayak, IAS appointed as Director in place of Syed Osalullha, IAS respectively during the year.

Sri B. K. Pattnaik, IAS and Sri Netrananda Ray 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 2007.

AUDITORS :

M/s P.K. Sahoo & Co., Chartered Accountants, Bhubaneswar has been appointed by C&AG as statutory auditors for the year 2006-07 vide Letter No. CA V/COY/ORISSA/ORBVR/1/1482, Dtd. 19.02.2008

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 2006-2007 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 2007 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 2007 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 : 08.12.2009

On behalf of the Board

Sd/-
(Sri S. Srinivasan, IAS)
CHAIRMAN-CUM-MANAGING DIRECTOR



REPLIES OF THE MANAGEMENT ON THE COMMENTS OF THE STATUTORY AUDITORS

Sl. No	Statutory Auditors Comments	Compliance						
1.	<p><u>Additional Security Deposit (Net)Rs.3,37,651.50 (Dr) under Current Liabilities:</u> In the following cases Security Deposits have been appearing since long:</p> <table style="margin-left: 40px;"> <tr> <td>MC Dowell</td> <td>Rs. 3,49,987.00</td> </tr> <tr> <td>Radico Khaitan</td> <td>Rs. 2,093.00</td> </tr> <tr> <td>Saw wallace Bev.</td> <td>Rs. 6,79,560.00</td> </tr> </table> <p>Immediate steps should be taken for regularizing the same.</p>	MC Dowell	Rs. 3,49,987.00	Radico Khaitan	Rs. 2,093.00	Saw wallace Bev.	Rs. 6,79,560.00	Noted Management is taking necessary steps to reconcile the Accounts.
MC Dowell	Rs. 3,49,987.00							
Radico Khaitan	Rs. 2,093.00							
Saw wallace Bev.	Rs. 6,79,560.00							
2.	<p><u>Income Tax Assessment :</u> Provisions for Income Tax have been appearing since 2001-02 without any set off. Cases of more than five years should be set off as per the Assessment order obtained from the competent authority.</p>	Since the cases of Income Tax A.Y. from 2001-02 has not yet been finalized and still undersubjudice at Income Tax Tribunal, no decision can be taken till the final decision is given by the Tribunal.						
3.	<p><u>Entry Tax :</u> Entry Tax to the tune of Rs.36,062.00 has been appearing since long. The same should be adjusted.</p>	Entry Tax is being collected at the time of sale. However, steps are being taken by Management to solve the issue.						
4.	<p><u>Sale Tax Surcharge :</u> an amount of Rs.3,80,26,721.47 (Three crore eighty lakhs twenty six thousand seven hundred twenty one and paise forty seven only) has been appearing in debit balance since long. The same should be regularized.</p>	Sales Tax Surcharge Rs.380,26,721.47 (Three crore eighty lakhs twenty six thousand seven hundred twenty one and paise forty seven only) has been rectified by J.V no.717, dt.31.03.2007.						
5.	<p><u>Central Sales Tax :</u> Central sales tax to the tune of Rs.334,368.67 collected during the month of November 2006, has been deposited on 21.04.2007 instead of depositing with in 31st March, 2007.</p>	Noted, Procedure for depositing the statutory dues in due time is followed.						



6.	<p><u>Sundry Creditors :-</u> In the following cases sundry creditors have been appearing under Dr. Balance.</p> <table border="0"> <tr> <td>BDA LTD.</td> <td>Rs. 1,43,681.00</td> </tr> <tr> <td>Him Neil Breweries</td> <td>Rs. 263.27</td> </tr> <tr> <td>Impal Dist & Brew</td> <td>Rs. 280.20</td> </tr> <tr> <td>Manor Breweries</td> <td>Rs. 4,629.00</td> </tr> <tr> <td>Mohan Meankin</td> <td>Rs. 2,21,428.58</td> </tr> <tr> <td>Rockers Breweries</td> <td>Rs. 3,549.00</td> </tr> </table> <p>Immediate steps should be taken to reconcile the same. Balance confirmation certificates have not been obtained.</p>	BDA LTD.	Rs. 1,43,681.00	Him Neil Breweries	Rs. 263.27	Impal Dist & Brew	Rs. 280.20	Manor Breweries	Rs. 4,629.00	Mohan Meankin	Rs. 2,21,428.58	Rockers Breweries	Rs. 3,549.00	Noted Management is taking steps to reconcile these Accounts.
BDA LTD.	Rs. 1,43,681.00													
Him Neil Breweries	Rs. 263.27													
Impal Dist & Brew	Rs. 280.20													
Manor Breweries	Rs. 4,629.00													
Mohan Meankin	Rs. 2,21,428.58													
Rockers Breweries	Rs. 3,549.00													
7.	<p><u>Godown Rent :-</u> Details of godown rent payable for Rs.1280632.00 is not available.</p>	Noted steps are being taken to reconcile the said accounts.												
8.	<p><u>Other Liabilities :-</u> Details of other liabilities to the tune of Rs.7,25,52,174.66 are not available. Management should take steps to reconcile the same.</p>	Noted steps are being taken to reconcile the said accounts.												
9.	<p><u>Other Advance :</u> Other Advance to the tune of Rs.303308641.65 should be regularized.</p>	Noted steps are being taken to reconcile the said accounts.												
10.	<p><u>Debtors Control Account :</u> Debtors Control Account is showing credit balance to the turn of Rs.2,80,36,925.69 (Rupees Two crores eighty lakhs thirty six thousand nine hundred twenty five only) the same should be reconciled.</p>	Debtors Controls Account (CS) showing credit balance represents advance received from retailers which will be adjusted on subsequent sale.												



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

No. CAD (T)/Accts/ OSBC/2006-07/16/09-10/508

Date : 15.10.2009

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 2007.

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 2007. In this connection, I am to inform you that the paras - 1,2,3,4,5,6 and 10 of Annexure - II to the Auditor's Report as well as the comments No.1 to 4 of the Comptroller & Auditor General of India enclosed have material impact on the Profit and Loss Account or the Balance Sheet of the Company. You are therefore, requested to address the issues raised in the comments/ qualifications and rectify the deficiencies during the subsequent year's accounts. In case that is not done, this office will be constrained to issue "adverse" comments or a "disclaimer", as the case may be.

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 2007.

The preparation of financial statements of the Orissa State Beverages Corporation Limited for the year ended 31st March 2007 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 15th July, 2009.

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 2007. 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 FINANCIAL POSITION

BALANCE SHEET

APPLICATION OF FUNDS

CURRENT ASSETS, LOANS AND ADVANCES

OTHER CURRENT ASSETS (SCHEDULE - 7)

RECEIVABLE FROM GOVERNMENT (OTHERS) Rs. 28.03 Lakhs.

1. The above includes Rs. 17.37 Lakh being the cost of five jeeps purchased by the Company out of its own funds and handed over during the year 2003-04 to the Excise Department for



enforcement activities. As the ownership of the Vehicles rests with the Company, non-accounting of the assets has resulted in overstatement of Other Current Assets (Receivable from Government) and understatement of Fixed Assets (Vehicle) by Rs. 17.37 lakh as well as understatement of depreciation and overstatement of Profit by Rs. 11.16 Lakhs.

Current Liabilities and Provisions

Current Liabilities (Schedule - 9)

Duties & Taxes Payable to Government of Orissa - Rs. 12.77 Crore.

- 2) Non-accounting of Rs. 11.37 Lakhs payable towards entry tax on consignments brought into the godown in March, 2007 on behalf of the suppliers has resulted in understatement of Current Liabilities (Entry Tax Payable to Government) and Current Assets (Entry tax receivable) by Rs. 11.37 Lakhs.
- 3) Differential excise duties of Rs. 56.68 lakhs payable to the State Government on the stock of beer for the year 2004-05 was accounted for twice in the accounts for the year 2005-06. Non-rectification of the error has resulted in overstatement of Current Liabilities and understatement of Prior Period Income and Profit by Rs. 56.68 lakhs.

B. COMMENTS ON DISCLOSURE

- 4) The Company deposited an amount of Rs. 3.68 crore on 31st March, 2007 towards service tax with the Commissioner of Service Tax under protest. This fact has not been disclosed.

C. COMMENTS ON AUDITOR'S REPORT

5. Though the Statutory Auditors audited the accounts of the Company for the year ended 31st March, 2007, they have wrongly stated in their Report to the Members that they have audited the Balance Sheet of the Company as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and accordingly certified the Balance Sheet and Profit and Loss Account of the Company as at 31st March, 2006. The Auditors' Report is thus incorrect to that extent.

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

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



**REPLIES OF THE MANAGEMENT ON THE COMMENTS OF THE COMPTROLLER
AND AUDITOR GENERAL OF INDIA.**

Comments of the C & AG of India	Replies of the Management.
<p>A. COMMENTS OF FINANCIAL POSITION BALANCE SHEET</p> <p>Applicaition of Funds Current Assets Loans and Advances Other Current Assets (Schedule-7) Receivable from Government (Others) Rs. 28.03 lakhs</p>	<p>The declaration on the notes on accounts has been reflecting by the Management since 2003-04 been reflecting by the Management since 2003-04. In the meantime, statutory audit for the period of three years has been passed without any observation raised by the A.G. Audit. However, initiative shall be taken by the Management in the next year for regularization.</p>
<p>1) The above includes Rs.17.87 lakh being the cost of 5 no of jeeps purchased by the Company out of its won fund and handed over during the year 2003-04 to the Excise Deptt. for enforcement activities. As the ownership of the vehicles rest with the management non accounting of the assets has resulted in overstatement of other current Assets (receivable from Govt.) and understatement of Fixed Assets (Vehicles) by Rs.17.37 lakhs as well as understatement of depreciation and overstatement of profit by 11.16 lakhs.</p>	
<p>Current Liabilites and Provisions Current Liabilities (Schedule-9) Duties & Taxes payable to Govt. of Orissa Rs.12.77 Croe</p> <p>2) Non accounting of Rs.11.37 lakh payable towards entry tax on consignment brought in March, 2007 into the Godown on behalf of the suppliers has resulted in understatement of current liabilities (Payable to Govt.) and Current assets (Entry tax Receivable) by Rs.11.37 lakh.</p>	<p>2) Since the general practice of the Corporation to pay entry tax is on the cash basis, the same has not been provided. Also exact tax component is being deposited without any delay by 21st days of next month.</p>
<p>3) Differential excise duties of Rs.56.68 lakh payable to the State Government on the stock of beer for the year 2004-05 was accounted for twice in the accounts for the year 2005-06. Non rectification of errors has resulted in overstatement of current liabilities and understatement of period.</p>	<p>3) The said matter shall be considered during preparation of accounts for the year 2007-08..</p>

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

Plot No -737/10, Jaydev Vihar,
Bhubaneswar - 751 013, Orissa
Ph.:(0674)2360840, 2360841, 2360842
Fax : (0674)2360840
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 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 2007. 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, directions or their relatives.

4. The Board of Directors duly met 4 (four) times on 28.06.2006, 28.09.2006, 14.12.2006 & 19.03.2006 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 2006 was held on 28th September 2006 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 2007.

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 G.V.V. Sarma, IAS, Sri Sudarsan Nayak, IAS and Sri Netrananda Ray are appointed as new directors and subsequently Sri D.P.Das, Sri Tara Dutta, IAS and Sri Sayed Osatullah, IAS are ceased from directorship.
15. During the year Sri G.V.V. Sarma, IAS and Sri Soumya Prasad Misra, IAS are appointed as Chairman and Managing Director respectively in place Sri A.K. Samantaray, IAS. Ex-Chairman-Cum-Managing Director and he is continuing as director only, as per the direction of government of Orissa.
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 2007.
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 : 27.08.2007**

**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 2007**

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 28.09.2005	08.01.2007	No	Yes
2.	-	383A	Compliance Certificate 31.03.2006	25.01.2007	No	Yes
3.	32	303(2)	Appointment and cessation of Directors on 13.12.2006	17.02.2007	No	Yes
4.	32	303(2)	Appointment and Cessation of Director on 31.08.2006	08.01.2007	No	Yes
5.	32	303(2)	Appointment of Managing Director on 12.09.2006	08.01.2007	No	Yes
6.	32	303(2)	Appointment of Chairman on 01.09.2006	08.01.2007	No	Yes
7.	32	303 (2)	Appointment and Cessation of Directors on 26.04.2006	23.05.2006	Yes	Na
8.	23 AC/ 23ACA	220	Annual Accounts for the year 2003-04	01.03.2007	No	Yes



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, 2007 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,2007 and
 - b) in the case of Profit & Loss Account of the PROFIT for the year ended on that date.

Place : Bhubaneswar
Date : 4th Sept. 2009

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



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

- 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 vice-versa.
- xvii. As per information and explanations given to us, the company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act.
- xviii. The company has not issued any debentures during the year.
- xix. The company has not raised any money by public issue during the year.
- xx. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.
- xxi. The company is not a Sick Industrial Company within the meaning of clause(o) of sub section (I) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (I of 1986)

Bhubaneswar
Date : 15th July, 2009

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. **Additional Security Deposit (Net) Rs. 337, 651.50/- (Dr.) Under Current Liabilities**

In the following cases security Deposits have been appearing since long.

Mc. Dowell	Rs. 3,49,987.00
Radico Khaitan	Rs. 2,093.00
Saw Wallace Bev	Rs. 6,79,560.00

Immediate Steps should be taken for regularizing the same.

2. **Incom Tax Assessment**

Provision for Income Tax have been appearing since 2001-2002 without any set off. Cases of more than five years should be set off as per the Assessment order obtained from the competent authority.

3. **Entry Tax**

Entry Tax to the tune of Rs. 36,062/- (has been appearing since long. The same should be adjusted.

4. **Sales Tax Surcharge**

An amount of Rs. 380, 26,721.47 (Rupees Three Crores Eighty Lakhs Twenty Six thousand Seven Hundred Twenty One and Paise Forty Seven Only) has been appearing in debit balance since long. The same should be regularised.

5. **Central Sales Tax**

Central Sales Tax to the tune of Rs. 3,34,368.67 collected during the month of November, 2006 has been deposited on 21.04.2007 instead of depositing within in 31st March, 2007.



6. **Sundry Creditors**

In the following cases Sundry Creditors have been appearing under Dr. Balance.

BDA Ltd.	Rs. 1,43,681.20
Him Neil Breweries	Rs. 263.27
Impal Dist & Brew	Rs. 280.20
Manor Breweries	Rs. 4,629.00
Mohan Meankin	Rs. 2,21,428.58
Rockees Breweries	Rs. 3,549.00

Immediate Steps should be taken to reconcile the same. Balance confirmation certificates have not been obtained.

7. **Godown Rent**

Details of Godown rent payable for Rs. 12,80,632/- is not available.

8. **Other Liabilities**

Details of other Liabilities to the tune of Rs. 72552174.66/- are not available. Management should take steps to reconcile the same.

9. **Other Advance**

Other advance to the tune of Rs. 30,33,08,641.65 should be regularised

10. **Debtors Control Account**

Debtors control Account is showing credit balance to the turn of Rs. 28036925.69/- (Rupees Two crore eighty lakhs thirty six thousand nine hundred twenty five only) the same should be reconciled.

Bhubaneswar
Date : 15th July, 2009

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



**ORISSA STATE BEVERAGES CORPORATION
BHUBANESWAR
BALANCE SHEET AS AT 31ST MARCH, 2007**

			As at 31.03.2007	As at 31.03.2006
Sch. No.	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<u>I.SOURCES OF FUNDS</u>				
<u>(1) Shareholders' Funds</u>				
a) Share Capital	1	10,000,000.00		10,000,000.00
b) Reserves & Surplus	2	<u>141,126,139.75</u>	151,126,139.75	52,040,200.07
<u>2) Loan Funds</u>				
a) Secured Loan	3.	-		-
b) Unsecured Loan	4	<u>164,384.00</u>	<u>164,384.00</u>	<u>12,400,000.00</u>
TOTAL:			<u>151,290,523.75</u>	<u>74,440,200.07</u>
<u>II.APPLICATION OR FUNDS</u>				
<u>1) Fixed Assets:</u>				
a) Gross Block	5	15,412,373.25		15,264,718.25
b) Less Depreciation	18	<u>11,313,794.43</u>		<u>10,327,830.24</u>
c) Net Block			4,098,578.82	4,936,888.01
<u>(2) Current Assets, Loans and Advances</u>				
<u>a) Current Assets :</u>				
i) Cash & Bank Balance	6	202,384,082.23		113,405,152.14
ii) Other Current Assets	7	76,067,691.86		50,399,456.83
b) Loans & Advances	8	<u>583,165,282.34</u>		<u>302,788,003.95</u>
		<u>861,617,056.43</u>		<u>466,592,612.92</u>
less: Current Liabilities and provisions				
a) Current Liabilities	9	640,067,375.77		367,932,540.13
b) Provisions	10	<u>74,357,735.73</u>		<u>29,156,760.73</u>
		<u>714,425,111.50</u>		<u>397,089,300.86</u>
Net Current Assets			147,191,944.93	69,503,312.06
<u>3) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED</u>				
Preliminary Expenditure			-	-
TOTAL :			<u>151,290,523.75</u>	<u>74,440,200.07</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/-
(Mrs. Prajnadhara Mishra, OAS)
Gen.Manager(Fin.)(l/c)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Promod Chandra Patanaik, IAS
Managing Director

Place : Bhubaneswar
Date: 15.07.2009



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2007

	Sch. No.	<i>Figure For The Year Ending 31.03.2007 Amount (Rs.)</i>	<i>Figure For The Year Ending 31.03.2006 Amount (Rs.)</i>
INCOME			
Margin on operation		305,218,693.66	229,049,771.52
Export Permit pass Commission		84,564.00	33,983.00
Interest on Term Deposit		14,410,920.81	6,759,933.41
Registration Fee Collected		1,040,000.00	1,235,000.00
Cash Discount		35,984,813.04	21,528,574.26
Other Income		4,111,077.90	2,081,618.20
Total Income		360,850,069.41	260,688,880.39
EXPENDITURE			
Advertisement & Business Development	11	178,910.50	50,237.50
Communication & Development	12	163,907.66	112,067.00
Godown Rent & Expenses		6,214,867.21	7,190,606.25
Office Rent		900,215.00	784,320.00
Office Expenses	13	433,805.50	460,236.35
Professional & Legal Charges	14	554,197.80	616,058.95
Donation		-	-
Salary & Wages	15	4,141,063.00	3,040,114.00
Travelling & Conveyance		44,047.00	26,676.00
Hire Charges of Vehicle		135,591.70	126,519.00
Audit Fees and Expenses	16	187,823.00	131,386.00
Insurance Premium		500,273.00	490,822.00
Licence, Privilege & Lable Reg.Fees		203,000,000.00	222,437,170.00
Printing & Stationary		386,909.50	315,306.30
Repair & maintenance		105,242.00	34,216.00
Security Service Charges		5,171,897.00	4,814,006.77
Financial Charges	17	-	2,400,000.00
Preliminary Expenses Written off		-	-
Depriciation	18	985,964.19	1,268,074.81
Total Expenditure		223,104,714.06	244,297,816.93
NET PROFIT/(LOSS) FOR THE YEAR		137,745,355.35	16,391,063.46
Add / Less : Prior Period Profit		2,655,780.00	204,651.34
Add / Less : Prior Period Income/ Expenditure		802,660.67	407,529.89
PROFIT/(LOSS) BEFORE TAXATION		134,286,914.68	16,188,184.91
LESS : Provision for Taxation		45,200,975.00	6,479,732.00
PROFIT / (LOSS) AFTER TAXATION		89,085,939.68	9,708,452.91
Add Balance Profit Bought from Last year		52,040,200.07	42,331,747.16
BALANCE PROFIT TRANSFERRED TO BALANCE SHEET		141,126,139.75	52,040,200.07

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/-
(Mrs. Prajnadhara Mishra, OAS)
Gen.Manager(Fin.)(l/c)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Promod Chandra Patanaik, IAS
Managing Director

Place : Bhubaneswar
Date: 15.07.2009



**ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 2007**

	AMOUNT		AMOUNT	
	As at 31.03.2007		As at 31.03.2006	
<u>SCHEDULE-1</u>	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	141,126,139.75		52,040,200.07	
TOTAL	141,126,139.75		52,040,200.07	
 <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	-		10,000,000.00	
Interest Accrued and due on above	164,384.00		2,400,000.00	
TOTAL	164,384.00		12,400,000.00	
 <u>SCHEDULE-6</u>				
	Rs.	P.	Rs.	P.
<u>CASH & BANK BALANCE</u>				
Cash in Hand	1,195.80		1,552.65	
Cheques in Hand & Transit	-		-	
Balance with Scheduled Banks :				
In Current Accounts	72,253,493.43		62,903,599.49	
In Terms Deposits	130,129,393.00		50,500,000.00	
TOTAL	202,384,082.23		113,405,152.14	



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

	Amount		Amount	
	As at 31.03.2007		As at 31.03.2006	
<u>SCHEDULE-7</u>	Rs.	P.	Rs.	P.
<u>Other Current Assets</u>				
a) Security Deposits	11,008.00		11,008.00	
b) Accrued Interest on Term Deposits	926,698.73		1,099,739.73	
c) Income Tax Deducted at Source (Receivable)	7,913,148.46		5,770,593.46	
d) Sundry Debtors	63,812,120.34		42,890,889.31	
e) Entry Tax Receivable	601,521.33		601,521.33	
f) Receivable from Govt. (Others)	2,803,195.00		25,705.00	
TOTAL	76,067,691.86		50,399,456.83	

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	47,115.85		321,321.90	
b) Advance Income Tax	127,325,602.00		95,555,602.00	
c) Pre-paid insurance	187,195.00		343,829.00	
d) Other Advances	303,308,641.65		206,236,237.50	
e) Advance To Suppliers	4,911,336.84		331,013.55	
f) Advance BBI	42,858.00		-	
g) Income Tax Demand	36,873,071.00		-	
h) Advance Sales Tax	100,000,000.00		-	
i) Advance Service Tax	5,469,462.00		-	
j) Sales Tax Demand	5,000,000.00		-	
TOTAL	583,165,282.34		302,788,003.95	

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	429,341,297.12		239,063,758.68	
b) Other Liabilities				
i) Security Deposits Received	10,100,000.00		9,100,000.00	
ii) Additional Security Deposits	337,651.50			
iii) Duties & Taxes Payable to Govt. of Orissa	127,651,057.50		101,224,876.62	
iv) Advance From Retailers				
v) Provident Fund Dues	44,088.99		32,726.39	
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	72,552,174.66		18,470,072.44	
TOTAL	640,067,375.77		367,932,540.13	



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

Provisions	Amount As at 31.03.2007		Amount As at 31.03.2006	
	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		—
TOTAL		74,357,735.73		29,156,760.73
		Rs. P.		Rs. P.
		SCHEDULE-11		
Advertisement & Business Development				
Advertisement		1,500.00		—
Business Expenses		177,410.50		50,237.50
TOTAL		178,910.50		50,237.50
		SCHEDULE-12		
Communication & Development				
a) Postage & Telegram		78,951.66		27,142.00
b) Telephone Charges		84,956.00		84,925.00
c) Website Development Expenses		—		—
d) Computer Software		—		—
TOTAL		163,907.66		112,067.00
		SCHEDULE-13		
Office Expenses				
a) News Papers and Periodicals		5,679.00		5,730.60
b) Electric Charges		303,594.00		266,557.00
c) Office Expenses		15,652.50		8,082.00
d) Misc. Office Expenses		3,118.50		12,145.80
e) Water Charges		19,656.00		17,808.00
f) Books and Journals		—		—
g) Office Maintenance		79,342.50		143,269.45
h) B.O.D Meeting Expenses		6,763.00		6,643.50
TOTAL		433,805.50		460,236.35



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

	Amount As at 31.03.2007		Amount As at 31.03.2006	
<u>SCHEDULE-14</u>	Rs.	P.	Rs.	P.
<u>Professional & Legal Charges</u>				
a) Company Secretary's Retainer Fees				
b) Legal Charges		233,533.00		184,757.95
c) Professional Charges		320,664.80		431,301.00
TOTAL		554,197.80		616,058.95

	<u>SCHEDULE-15</u>		<u>SCHEDULE-15</u>	
	Rs.	P.	Rs.	P.
<u>Salaries & Wages</u>				
a) Leave Salary & Pension Contribution		65,807.00		23,362.00
b) Salary & Wages		4,075,256.00		3,000,934.00
c) Subsistence Allowance		—		15,818.00
TOTAL		4,141,063.00		3,040,114.00

	<u>SCHEDULE-16</u>		<u>SCHEDULE-16</u>	
	Rs.	P.	Rs.	P.
<u>Audit Fees & Expenses</u>				
a) Statutory Audit Fees		35,000.00		—
b) Tax Audit Fees		8,084.00		—
c) Internal Audit Fees		111,568.00		131,386.00
d) Other Audit Fees		33,171.00		—
TOTAL		187,823.00		131,386.00

	<u>SCHEDULE-17</u>		<u>SCHEDULE-17</u>	
	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
TOTAL		—		2,400,000.00



ORISSA STATE BEVERAGES CORPORATION LIMITED
BHUBANESWAR
SCHEDULE - 5 (2006 -07)
DEPRECIATION SCHEDULE FOR THE YEAR ENDING ON 31.03.2007

FIXED ASSETS

Sl. No.	ITEM	Rate	GROSS BLOCK				DEPRECIATION				NET BLOCK	
			Cost As On 01.04.06	Addition during the Year	Deletion / Sale during the year	Total Cost As On 31.03.07	Depreciation As On 01.04.06	Depreciation during the year	Depreciation adjusted during the year	Total Depreciation as on 31.03.07	Written down value as on 31.03.06	Written down value as on 31.03.07
1.	Air Conditioner	13.91%	896,331.15		-	896,331.15	442,297.55	63,156.07	-	505,453.62	454,033.60	390,877.53
2.	Computer	40.00%	4,822,284.00	14,000.00	-	4,836,284.00	4,322,105.33	205,671.47	-	4,527,776.80	500,178.67	308,507.20
3.	Furniture & Fixture	18.10%	3,703,449.50		-	3,703,449.50	2,293,052.11	255,281.93	-	2,548,334.04	1,410,397.39	1,155,115.46
4.	Electric Fittings	13.91%	796,614.60		-	796,614.60	406,787.34	54,224.97	-	461,012.31	389,827.26	335,602.29
5.	Office Equipments	13.91%	2,063,856.00	13,365.00	-	2,197,511.00	1,035,431.74	161,645.22	-	1,197,076.97	1,028,424.26	1,000,434.03
6.	Vehicle	25.89%	2,189,063.00		-	2,189,063.00	1,475,712.44	184,686.46	-	1,660,398.90	713,350.56	528,664.10
7.	Audio Visual	13.91%	793,120.00		-	793,120.00	352,443.71	61,298.07	-	413,741.78	440,676.29	379,378.22
	Total		15,264,718.25	1,47,655.00	-	15,412,373.25	10,327,830.23	985,964.19	-	11,313,794.43	4,936,888.02	4,098,578.82

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/-
(Mrs. Prajnadhara Mishra, OAS)
Gen. Manager(Fin.)(I/c)

Sd/-
Sudarshan Nayak, IAS
Director

Sd/-
Sri Promod Chandra Patanik, IAS
Managing Director

Place : Bhubaneswar
Date: 15.07.2009



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 2006-07.
 - 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. 42,93,41,297.12 have been shown under the head "Sundry Creditors" and the debit balance of Rs. 49,11,336.84 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. 40,75,256.00

(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
9. Interest on term Deposit as shown in the Profit & Loss Account Rs. 1,44,10,920.81 is gross.
10. Previous years figures have been regrouped, recast and rearranged wherever is necessary.
11. Salary & Wages includes Rs. 1,53,828.00 paid as salary and Travelling and Conveyance includes Rs. 4,264.00 paid toward Travelling & Allowance to Directors.
12. 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.
13. 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.
 14. 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 2006-07.
 15. Margin on Operation includes Margin Rounding off, and Margin on Operation for the year 2006-07.
 16. Registration Fees of Rs,10,40,000/- has been recognized as income during the financial year 2006-07.
 17. 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.
 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. For the financial year 2001-02 Rs. lakhs have been paid on 13/04/2006 against demand raised by Sales Tax Authorities.

As per our report of an even date

For P.K.Sahoo & Co
Chartered Accountants

Sd/-
(P.K. Sahoo)
Partner

Place : Bhubaneswar
Date: 15.07.2009

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Mrs. Prajnadhara Mishra, OAS)
Gen.Manager(Fin.)(I/c)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Promod Chandra Patanaik, IAS
Managing Director



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	7
---	---	---	---	---	---

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

1	5	1	2	9	0
---	---	---	---	---	---

 Total Assets

1	5	1	2	9	0
---	---	---	---	---	---

IV Sources of Funds

Capital Funds

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

 Reserve & Surplus

1	4	1	1	2	6
---	---	---	---	---	---

 Secured Loans

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 Unsecured Loans

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

V Application of Funds

Net Fixed Assets

	4	0	9	8
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 Investments

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

 Net Current Assets

1	4	7	1	9	1
---	---	---	---	---	---

 Misc. Expenditure

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

Accumulated Losses

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

VI Performance of Company (Amount in Rs. Thousands)

Total Income

3	6	0	8	5	0
---	---	---	---	---	---

 Total Expenditure

2	2	3	1	0	4
---	---	---	---	---	---

 Profit Before Tax

1	3	4	2	8	6
---	---	---	---	---	---

 Profit After Tax

8	9	0	8	5
---	---	---	---	---

Earning per share in Rs

	8	9	.	0	9
--	---	---	---	---	---

Dividend Rate

		N	I	L
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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
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(ITC CODE)

Product Description

For R.K.Sahoo & Co
Chartered Accountants

Sd/-
(P.K. Sahoo)
Partner

Place : Bhubaneswar
Date: 26.09.2009

For Orissa State Beverages
Corporation Ltd.

Sd/-
(Mrs. Prajnadhara Mishra, OAS)
Gen.Manager(Fin.)(l/c)

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sudarshan Nayak, IAS
Director

For Orissa State Beverages
Corporation Ltd.

Sd/-
Sri Promod Chandra Patanaik, IAS
Managing Director



Directions under section 619(3) (a) of the Companies Act, 1956

Annexure - 1

(List of indicatives questions under these heads is given as Annexure-1, which may be retained by the auditor as working papers)

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 intangible assets), liabilities, 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 duly 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 interet accrued thereon have been either converted into equally or walved 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 departments involved in the latter). No such systems as there are any specific software used.

**(XVI) Environmental Management**

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.

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

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