PASCHIM GUJARAT VIJ COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

SCHEDULE – 26 – NOTES ON ACCOUNTS

NOTES FORMING PART OF ACCOUNTS

1. Introductory:

Pursuant to the enactment of the Electricity Act, 2003 and the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, GoG has issued various notifications, resolutions and Transfer Schemes for vesting of the assets, liabilities, proceedings and personnel from erstwhile GEB to the GoG and then to revest the same into initially six companies i.e. one Generation Company, one Transmission Company and four Distribution Companies (Thereinafter referred to as Successor companies). Paschim Gujarat Vij Company Limited is one of these four Distribution Companies, registered under the provisions of Companies Act, 1956. (Herein after referred to as Successor Company.)

On reorganization of GEB by the Government of Gujarat, the shares issued to and allotted in the name of GEB were transmitted w.e.f 1st April, 2005, by operation of law, in the name of Gujarat Urja Vikas Nigam Limited (GUVNL), a company promoted by Government of Gujarat to carry out the residual functions of erstwhile GEB.

Consequent on such transmission and transfer of shares to GUVNL and its nominees, the entire share capital of the Company is held by GUVNL and the Company has become the wholly owned subsidiary of GUVNL, a Government Company within the meaning of Section 617 of the Companies Act, 1956.

GoG issued notification No. : GHU-2006-91-GUV-1106-590-K dated 3rd October, 2006 notifying the final opening balance sheet of the Company as on 1-4-2005 containing the value of the assets and liabilities of the distribution activities which stand transferred from erstwhile GEB to the Company as specified in Annexure-F appended to the notification.

2. Financial Restructuring Plan:

(i) The GoG vide notification No.GEB-1105-1749-K dated 31-3-2005 had declared 1-4-2005 as the final date for transfer of the undertaking as per Schedule- F to the Transfer Schemes notified by the GoG. The GoG has notified the Final opening balance sheet of the Company comprising of the Company's own assets and liabilities as on 1-4-2005 vide notification No.GHU-2006-91-GUV-1106-590-K dated 3-10-2006 as per the Financial Restructuring Plan (FRP) approved by Govt. of Gujarat.

(ii) In accordance with the above notification aggregate values as on 1-4-2005 of the residual blocks of fixed assets (gross values, accumulated depreciation and net value), investments, current assets, long term and short term loans and current liabilities of erstwhile GEB transferred to the Company and that of existing undertaking of the Company as on 31-3-2005 have been duly incorporated in the books of accounts of the Company. The Notification dtd. 3-10-06 issued by GoG has not specified the values of individual items of assets and liabilities. The Management has therefore adopted following procedure for assigning value to individual items.

(a) The individual items of Fixed Assets as per the fixed assets registers maintained at the Circle Offices of the PASCHIM Distribution Zone of the erstwhile GEB have been assigned the gross values (cost of acquisition), accumulated depreciation and the net values as provided under Government Notification dtd. 3-10-2006 referred to above, in accordance with the exercise carried out and the report submitted by Chartered Accountants.

(b) Long term borrowings which are directly identifiable with the distribution undertaking of the **Western Distribution** Zone of the erstwhile GEB have been transferred to the Company as such. However, the borrowings of erstwhile GEB that were common for generation, transmission and distribution functions and not identifiable with any of these specific activities have been apportioned by the GoG and the total amounts of long term and short term loans including the identifiable loans have been transferred to the Company at aggregate values respectively vide the Government notification dtd. 3-10-2006 referred to above.

(c) The aggregate values of current assets and current liabilities as per notification dtd. 3-10-2006 have been divided and allocated to individual items of current assets and current liabilities by the management on the basis of their respective values (balances) on 31-3-2005 as appearing in the books of accounts at Circle Offices of the Paschim Distribution Zone of erstwhile GEB.

(d) The consideration specified in FRP notification dtd. 3-10-2006 for the transfer of undertaking comprising of the values of assets and liabilities and the proceeding relating to distribution activities of erstwhile GEB as specified in the transfer schemes has been discharged by PGVCL in the form of equity shares of Rs.10/- each to GUVNL, as directed by the GoG under notification of Energy & Petrochemicals Department dated 12th December,2008.

3. Claims against company not acknowledged as debt:Rs.3180.47 lacs (P.Y Rs. 46.47 lacs)

4. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.11130.07 lacs (P.Y Rs. 1189.88 lacs).

5. Loans:

GUVNL raises fund by issue of bonds as well as borrowing from Banks, Financial Institutions, GoG and other Public Sector Undertakings for common usages of successor Companies. The repayment and interest of these borrowings are reimbursed by the Company to GUVNL. Facilities sharing agreement between GUVNL and successor Companies have been executed. Consequently, the part amount of loan outstanding from Banks and Financial Institutions are disclosed under the head 'Loans Fund' in Balance-Sheet.

6. Registration of charge on asset:

(i) As per the legal opinion of the counsel, the properties on which the charge is already created by erstwhile GEB and acquired by the company, the same is required to be registerd under the provisions of the Companies Act, 1956. Due to the common funds for all the operations of erstwhile GEB, funds were raised against the charge over all its assets. However, the amount of secured loans of erstwhile GEB which are secured against the separate properties transferred to each successor company has not yet been identified. The Company, therefore, could not register the charge on these properties with the Registrar of Companies, Gujarat.

(ii) Some of the assets of the company viz. Plant and Machinery, Hydraulic works, lines and cables, furniture and fixtures and office equipments are given as security to the Banks for the loans raised by Holding Company i.e. GUVNL. Charges created in respect of these assets as well as charges in respect of loan from Power Finance Corporation (PFC) availed by the company are as under :

Name of the Bank in whose favour charge is created	Amount for which the charge is created (Rs. in Lacs)	Locations at which assets are in existence and on which charge is created
A. Loans allocated by GUVNL		
Bank of Baroda	50,000.00	Rajkot O&M, Amreli, Bhuj and Jamnagar
Indian Overseas Bank	10,000.00	Surendranagar
Uco Bank	40,600.00	Current assets
Bank of Baroda	30,000.00	Amreli, Bhuj, Jamnagar, Porbander, Surendranagar and Bhavnagar.
B. Loans availed by Company		
Power Finance Corporation Limited	30,535.00	Rajkot, Bhavnagar, Jamnagar, Junagadh, Porbandar, Amreli, Bhuj, Botad, Surendranagar.

7. Interest on Loans:

Governments of Gujarat, vide G R No. GEB-1104-7319-K dtd. 07.11.2008, has resolved to waive the interest on outstanding Govt. loans of Rs.24,884.19 lacs (as on 31.03.2005) which was notified to be deferred till 2010-11 while approving the Financial Restructuring Plan of erstwhile GEB. Hence, no provision is made for interest on these loans for the year.

8. Interest on Security Deposit from Consumers:

Interest on Security deposit of H.T consumers is provided and the same has been reconciled with subsidiary records. In case of L.T consumers the interest is provided on the balances as per Subsidiary records which are subject to reconciliation. In the opinion of the management, provision of the interest on the balances as per subsidiary record is considered adequate having regard to the fact that in cases on which interest is not provided are very old and of insignificant amount.

9. Inter Unit/Inter Company Account:

Inter Unit balances of Rs. 26.06 lacs Credit –(P.Y Rs. 18.06 lacs Debit) and balance in Remittance in transit Rs. 195.42 lacs Debit- (P.Y Rs. 340.24 lacs Debit) are under reconciliation. Pending reconciliation as mentioned above, the effect on profit/loss and assets/liability can not be quantified.

The balances of fellow subsidiary companies have been transferred to GUVNL (Holding Company) after due reconciliation and confirmation.

10. Auditors Remuneration:

(i) Statutory Auditor

Particulars	2010-11	2009-10
(a) Audit fees (Including Service Tax thereon)	Rs. 12.13 lacs	Rs. 10.48 lacs
(b) Out of Pocket expenses	Rs. 0.55 lacs	Rs. 1.01 lacs
Total	**Rs.12.68 lacs**	**Rs.11.49 lacs**

(ii) Cost Auditor

Particulars	2010-11	2009-10
(a) Audit fees (Including Service Tax thereon)	Rs. 0.53 lacs	Rs. 0.53 lacs
(b) Out of Pocket expenses	Rs. 0.07 lacs	Rs. 0.07 lacs
Total	**Rs. 0.60 lacs**	**Rs.0.60 lacs**

11. Dues to Micro, Small and Medium Enterprises :

As per information available on Company's record, no amount was due and outstanding as on 31.03.2011 to Micro, Small and Medium Enterprise. The Company has not received any claim for interest from any supplier under "Interest on delayed payment to Small scale & Ancillary Industries under Act, 1993"

12. Current Assets and Current Liabilities:

(i) Balances in the accounts of parties under the group sundry creditors, loans and advances (debit / credit) are subject to independent confirmation and reconciliation.

(ii) In the opinion of the Management, the current assets, loans and advances are good and recoverable and are approximately of the values, if realized in the ordinary courses of business unless and to the extent stated otherwise in the Accounts. Subject to the notes and the method of accounting followed by the Company, all known liabilities has been provided for and are not in excess / short of amount reasonably considered necessary. There are no contingent liabilities except those stated in the notes.

(iii) In respect of Sundry Debtors:

a. Classification of the amount of Sundry Debtors in Schedule `8' between debts outstanding for a period exceeding six months and other debts has been made on the basis of available information and have been relied upon by auditors.

b. As on 31st March,2011, there are 4419288 consumers with the Company. Taking into consideration such large no. of consumers it is practically not feasible to obtain the confirmation of balances. Moreover tariff rate at which the consumers are billed is stipulated under tariff order as awarded by GERC and the Company has no powers to change it unilaterally. Further consumers pay the amount as and when the bill is raised to them. If there is any dispute the same is brought to notice of the Company. In view of this and in the absence of specific confirmation of balances, the balances outstanding are considered as good and recoverable except those provided for.

(iv) Physical inventory of stores spares and consumables as per the stores records have been reconciled with the financial ledger as 31stMarch, 2011. The shortage/excess observed during the physical verification has been adjusted.

(v) The balance with State Bank of India in the books of Head office is in process of reconciliation. Reconciliation is at very advance stage. The details for the same are given hereunder.

(Amount Rs. In lacs)

Balance as per Bank Book	Balance as per Bank confirmation	Reconciled Balance	Net Unconfirmed amount
1496.28 (Dr.)	1818.41 (Cr.)	210.10 (Dr)	112.03 (Dr)

(vi) Balances in respect of various advances to employees under various contributory welfare schemes, advances to suppliers/contractors, Security Deposits from consumers, consumer contributions towards capital assets at some divisions/ circles are in process of updation /reconciliation with Subsidiary records.

The impact of the above on profit/loss as well as assets/liabilities is not ascertainable.

13. Excess Provision written back:

The provision made in earlier year in respect of dues payable under VIth Pay revision which is no longer payable. As a result of the same, excess provision of Rs 1381.60 lacs is credited to Profit and Loss Account.

14. Fixed Assets and Depreciation:

a) Consequent upon unbundling of business of erstwhile GEB, various lands and buildings of group companies are used by companies other than the owners. User charges thereof are not recovered or provided for. The quantification of the same and its effect on the financial statements is unascertainable.

b) As per Para 14 of Accounting Standards (AS) 10, “Accounting for Fixed Assets” an item of fixed asset that has been retired from its active use and is held for disposal is to be stated at the lower of Net Book Value or Net Realizable Value (NRV). The NRV of assets retired from active use has not been determined. However, no downward adjustment of the book value of the said assets has been made since the management is of the opinion that the NRV of the same is higher than the Net Book Value due to facts that the Book Value is very low since the assets are very old and there is an upward trend in scrap rates.

15. Taxation:

(i) Provision of Income-tax is made as per provisions of Section 115JB of Income-tax Act, 1961considering carry forward of losses and depreciation of earlier years.

(ii) The Incom-tax assessment have been completed upto Assessment Year 2008-2009.

16. PGVCL has initiated necessary actions for commercial operation of Intra State Availability Based Tariff (ABT) w.e.f 5th April, 2010 under Unscheduled Interchange (UI) worked out by State Load Dispatch Centre (SLDC) in accordance with directive of Hon'ble GERC through order dated 2nd April 2010. SLDC has worked out the intra State UI for each of the participating units including Distribution companies w.e.f 5th April, 2010. Accordingly, PGVCL has accounted income of Rs 11120.39 lacs on account of UI as allocated by SLDC in its books of accounts.

17. The expenditure included under the head `Payments to and provision for Employees' in Schedule 18 is net off by Rs 708.25 lacs, being reimbursement of salary and other allowances recovered from M/s. Gujarat Power Corporation Limited.

18. The company is engaged in the business of distribution of power. Accordingly additional information pursuant to provision of paragraph 3,4C, 4D of the Part-II of Schedule VI to the Companies Act, 1956 is given here under to the extent applicable.

a) Quantitative Information:

Particulars	Year 2010-2011		Year 2009-2010	
	Quantity in MU	Value Rs in lacs	Quantity in MU	Value Rs in lacs
Units Purchased	22693	596744.06	21167	488285.73
Units Sold	16508	614916.33	13513	506857.31

b) C.I.F value of direct import during the year is Rs. Nil (previous year Rs. Nil)

c) Expenditure in foreign currency, Earning in foreign currency and Remittance in foreign currency is Rs. Nil (previous year Rs. Nil)

19. Transmission and Distribution Losses:

Particulars	**Units (MUs) 2010-11**	**Units (MUs) 2009-10**
Power Purchase from GUVNL / Wind Farm	22693	21167
Less: Sale under Short Term Open Access (STOA)	1580	-
Less: Sale on account of Unscheduled Interchange (UI)	230	-
Net Purchase	**20883**	**21167**
Less: Units Sold to Consumers	14698	13513
Transmission & Distribution Losses	**6185**	**7654**
T & D loss (%)	**29.62**	**36.16**

20. Segment Information

The company is principally engaged in the business of distribution of electricity. Accordingly there are no reportable segments as per Accounting Standards (AS) 17, "Segment Reporting ".

21. Related Party Disclosures

The Company being subsidiary of a Government Company is a state controlled enterprise. No disclosure is required as per para 9 of Accounting Standard (AS) 18, on "Related Parties Disclosure" as regards related party relationships with other state controlled enterprises and transactions with such enterprise. However other information is given hereunder.

(i) Key Management Personnel.

Shri S. B Raval (IAS) –Managing Director
Shri M. B Patel (GAS)- Joint Managing Director

(ii) Particulars of remuneration paid to them are given below.

Rs in lacs

Particulars	2010-11	2009-10
Salary and other allowances	**14.03**	**8.18**

22. Deferred Tax Adjustment:

(i) The timing differences giving rise to Deferred Tax Liabilities are lesser in value then the items giving rise to Deferred Tax Assets. As per AS-22, deferred tax assets are recognized only to the extent that there is a reasonable certainty (and in case of recognition of deferred tax assets against unabsorbed losses / depreciation, a virtual certainty) that future taxable income will be available against which such deferred tax assets can be realized. Hence, following the concept of prudence, and considering the lack of certainty, deferred tax assets are considered only to the extent of deferred tax liabilities and there will be no effect on the reserves. The components of deferred Tax assets and liabilities as on 31st March, 2011are as under:

(Amount Rs. in lacs)

Particulars	Deferred Tax Assets	Deferred Tax Liability
Difference in Depreciation for the year	-	1546.56
Provision for leave encashment / gratuity/ bad and doubtful debts	3380.72	-
Net Deferred Tax Assets after setting off with Deferred Tax Liability	1834.16	-
Net Effect of Deferred Tax for the year 2010-11	-	NIL

23. Impairment of Assets:

In absence of any indications, external or internal, as to any probable impairment of assets, no provision has been made for the same during the year.

24. Earning per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earning per Share":

Particulars		2010-11	2009-10
Basic			
Profit After Tax as per Accounts (Rs. Lacs)	A	311.30	385.04
Weighted average no. of equity shares outstanding	B	45,89,58,691	42,29,03,896
Basic EPS (Rupees)	A/B	**0.07**	**0.09**
Diluted			
Profit After Tax as per Accounts (Rs. Lacs)	A	311.30	385.04
Weighted average no. of equity shares outstanding	B	45,89,58,691	42,29,03,896
Add : Weighted average number of potential equity shares that could arise on conversion of equity share capital suspense	C	Nil	4,00,00,000
Weighted average no. of shares outstanding for Diluted EPS	D=B +C	45,89,58,691	46,29,03,896
Diluted EPS (Rupees)	**A/D**	**0.07**	**0.08**

25. Disclosure Pursuant to Accounting Standard (AS) 15 – Employee Benefits:

(i) Gratuity:

The company has defined benefit gratuity plan and the funds are managed by LIC. The following comparative tables of 2010-2011 and 2009-2010 summarize the component of net benefit expenses recognized in the profit and loss account of the company and assets and liabilities are recognized in the balance sheet of GUVNL.

(Amount Rs. In lacs)

I Amounts to be recognized in Balance Sheet	**2010-11**	**2009-10**
Present value of funded obligations	8261.94	6759.18
Fair value of plan assets	8261.94	6759.18
Present value of unfunded obligations	9874.80	10468.21
Unrecognized past service cost	Nil	Nil
Net liability	9874.80	10468.21
Amounts in the balance sheet		
Liabilities	18136.74	17227.40
Assets	8261.94	6759.18
Net liability	9874.80	10468.21

II Expenses recognized in Income Statement	2010-11	2009-10
Current service cost	793.60	734.82
Interest on obligation	1378.19	912.65
Expected return on plan assets	(681.07)	(529.31)
Net actuarial losses (gains) recognized in the year	1034.74	82.98
Past service cost	Nil	5204.79
Losses (gains) on curtailments and settlement	Nil	Nil
Expense recognized in P&L	2525.47	2349.92

III Table Showing Change in Benefit Obligation	2010-11	2009-10
Opening Defined Benefit Obligation	17227.40	11408.16
Service cost for the year	793.60	734.82
Past service cost	Nil	5204.79
Interest cost for the year	1378.19	912.65
Actuarial losses (gains)	1036.42	92.08
Benefits paid	(2298.87)	(1125.10)
Closing defined benefit obligation	18136.74	17227.40

IV. Table of Fair Value of Plan Assets	2010-11	2009-10
Opening fair value of plan assets	6759.18	4922.65
Expected return	681.07	529.31
Actuarial gains and (losses)	1.68	9.10
Assets distributed on settlements	--	--
Contributions by employer	3118.88	2423.22
Assets acquired in an amalgamation in the nature of purchase	--	--
Exchange differences on foreign plans	--	--
Benefits paid	(2298.87)	(1125.10)
Closing balance of fund	8261.94	6759.18

V. Tables showing Category of plan Assets	2010-11	2009-10
Government of India Securities	--	--
High quality corporate bonds	--	--
Equity shares of listed companies	--	--
Property	--	--
Funds managed by insurer	100%	100%
Bank Balance	--	--

VI. Principal Actuarial Valuation	2010-11	2009-10
Discount rate	8.00%	8.00%
Expected return on plan assets	9.50%	9.50%
Annual increase in Salary costs	5.00%	5.00%

VII. Table Showing Surplus / (Deficit)	2010-11	2009-10
Defined Benefit Obligation	18136.74	17227.40
Plan assets	8261.94	6579.18
Surplus / (deficit)	(9874.80)	(10468.21)

Notes:

1. Following assumptions have been considered in actuarial valuation:
   - Future salary increase by taking into consideration inflation rate, seniority and promotion.
   - Discount rate is determined with reference to market yields at Balance sheet date on government bonds.
   - Expected rate of return on assets is based on market expectations at the beginning of the period.

2. The company has contributed the amount of Rs.2525.47 lakhs towards gratuity for year 2010-11. However the provision for the gratuity appears in the Balance Sheet of GUVNL.

(b) **Leave Salary:**

(Amount Rs. In lacs)

I Amounts to be recognized in Balance Sheet	2010-2011	2009-2010
Present value of funded obligations	Nil	Nil
Fair value of plan assets	Nil	Nil
Present value of unfunded obligations		
Unrecognized past service cost	Nil	Nil
Net liability	11362.33	10857.05
Amounts in the balance sheet		
Liabilities	11362.33	10857.05
Assets	-	-
Net liability	11362.33	10857.05

II Expenses recognized in Income Statement	2010-2011	2009-2010
Current service cost	197.52	152.35
Interest on obligation	868.56	782.21
Expected return on plan assets	-	-
Net actuarial losses (gains) recognized in the year	539.23	966.49
Past service cost	Nil	Nil
Losses (gains) on curtailments and settlement	Nil	Nil
Expense recognized in P & L	1605.31	1901.05

III Table Showing Change in Benefit Obligation	2010-2011	2009-2010
Opening Defined Benefit Obligation on 1-4-2009	10857.05	9777.68
Service cost for the year	197.52	152.35
Interest cost for the year	868.56	782.21
Actuarial losses (gains)	539.23	966.49
Losses (gains) on curtailments	-	-

Benefits paid	(1100.03)	(821.68)
Closing defined benefit obligation on 31-3-2010	11362.33	10857.05

VI. Principal Actuarial Valuation	2010-2011	2009-2010
Discount rate as on 31-3-2010	8.00%	8.00%
Expected return on plan assets at 31-3-2010	-	-
Annual increase in Salary costs	5.00%	5.00%

VII. Table Showing Surplus / (Deficit)	2010-2011	2009-2010
Defined Benefit Obligation	11362.33	10857.05
Plan assets	-	-
Surplus / (deficit)	(11362.33)	(10857.05)

In terms of the accounting policy, liability of Rs. 1605.31 Lacs in respect of leave encashment is accounted on the basis of actuarial valuation made by Life Insurance Corporation of India during the year.

26. The company has taken various premises under operating lease or leave and license agreement. The lease term in respect of such premises are on the basis of individual agreements entered into with the respective land lords. The lease payments are recognised in the Profit and Loss Account under `Rent' in Schedule 20.

27. Previous year's figures have been recast/restated /regrouped, wherever necessary, to confirm to the current year's presentation. However, the current year's figures are not strictly comparable with that of previous year.

For Manubhai & Co.
Chartered Accountants
Firm Registration No. 106041W

(J.D Shah)
Partner
Membership No. 100116

For and on behalf of Board
Paschim Gujarat Vij Company Ltd.

(V S Gadhvi, IAS)
Chairman

(S B Raval, IAS)
Managing Director

(P J Majithia)
I/c General Manager (F&A)

(Sudhir Bhatt)
Company Secretary

Place: Ahmedabad
Date: 28 September 2011

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Date: 28 September 2011