PASCHIM GUJARAT VIJ COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

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.46.47 lacs (P.Y Rs. Nil)

4. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.1189.88 lacs (P.Y Rs. 1085.81 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 transferee Companies. The repayment and interest of these borrowings are reimbursed by the Company to GUVNL. Facilities sharing agreement between GUVNL and transferee Companies have been executed. Consequently, the part amount of loan outstanding from Banks and Financial Institutions are disclosed under the head 'Secured Loans' in Balance-Sheet.

6. Registration of charge on asset:

(i) As per the legal opinion of the counsel, the company has acquired the property on which the charge is already created by erstwhile GEB, is required to register charges 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 transferee 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 work, 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 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
State Bank of India (erstwhile SBS)	7,500.00	Surendranagar
Bank of Baroda	50,000.00	Bhavnagar, Junagadh, Porbandar and Surendranagar
Uco Bank	40,600.00	Current assets
Central Bank of India	7,500.00	Rajkot O&M and Rajkot City
Bank of Baroda	30,000.00	Amreli, Bhuj, Jamnagar, Porbander, Surendranagar and Bhavnagar.
B. Loans availed by Company		
Power Finance Corporation Limited	7,526.00	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 some 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. 18.06 lacs (Debit) and balance in Remittance in transit 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:

Particulars	2009-10	2008-09
(a) Audit fees	Rs. 9.50 lacs	Rs. 9.50 lacs
(b) Out of Pocket expenses	Rs. 0.95 lacs	Rs. 0.95 lacs
Total	**Rs.10.45 lacs**	**Rs.10.45 lacs**

11. Remuneration to Managing Director & Joint Managing Director:

Remuneration to Managing Director and Joint Managing Director is Rs.8.18 lacs (P.Y. Rs.3.06 lacs).

12. Dues to Micro, Small and Medium Enterprises :

As per information available on Company's record, no amount was due and outstanding as on 31.03.2010 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"

13. Current Assets and Current Liabilities:

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

b) 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.

c) As on 31st March,2010 ,there are 41,92,325 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 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, in the absence of specific confirmation of balances, the balances outstanding are considered as good and recoverable except those provided for.

d) Physical inventory of stores spares and consumables as per the stores records have been reconciled with the financial ledger as 31stMarch, 2010. The shortage/excess observed during the physical verification has been adjusted.

e) 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**
1296.65 (Cr.)	383.79 (Dr.)	769.66 (Dr)	143.20 (Dr)

f) There is change in policy with respect to valuation of stock of burnt transformers lying with various repairing agencies as on 31st March,2010 and declared as scrap, from Net realizable value (NRV) to lower of cost or NRV. However there is no material impact on the value of inventories and profit due to such change.

g) 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.

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) According to the legal opinion of the tax consultant, the Company is eligible for the benefit of carry forward of business losses and unabsorbed depreciation of the erstwhile GEB under section 72 (A) of the Income Tax Act, 1961 read with Central Government Gazette Notification No.SO-1159(E) dated 25-12-2000 on the subject. The total carry forward of losses of Rs. 510.24 Crores and unabsorbed depreciation of Rs. 538.76 Crores are as per return filed for the Assessment year 2009-10.

(ii) Provision for current year's Taxation has been made as per Section 115JB of the Income Tax Act, 1961.

16. 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)

Particulars	Units (MUs) 2009-10	Units (MUs) 2008-09
(i) Units Purchased inclusive of transmission losses (Including wind farm units)	**21167**	**19189**
(ii) Units Sold	**13513**	**12449**
(iii) Transmission & Distribution Losses	**7654**	**6740**
(iv) T & D loss as (%) of (i)	**36.16**	**35.12**

Due to change in the provisioning method with respect to wind farm power purchase, the wind farm power purchase units (44 Mu's) for the year 2008-09 have been included in the Units purchased for the year 2009-10.

Correspondingly amount of Rs. 6.16 Crores has been included in the Prior Period Items.

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)

17. 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 ".

18. 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.

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

(II) Particulars of remuneration paid to them are given in Para 11 above.

19. Deferred Tax Adjustment:

(i) As per the opinion of counsel, 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 are as under:

(Amount Rs. in lacs)

Particulars	**Deferred Tax Assets**	**Deferred Tax Liability**
Difference in Depreciation for the year	-	9562.30
Provision for leave encashment / gratuity/ bad and doubtful debts	14500.64	-
Net Deferred Tax Assets after setting off with Deferred Tax Liability	1640.52	-
Net Effect of Deferred Tax for the year 2009-10	-	NIL

20. 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.

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

Particulars		**2009-10**	**2008-09**
Basic			
Profit After Tax as per Accounts (Rs. Lacs)	A	385.04	108.83
Weighted average no. of equity shares outstanding	B	42,29,03,896	6,55,37,698
Basic EPS (Rupees)	A/B	**0.09**	**0.17**
Diluted			
Profit After Tax as per Accounts (Rs. Lacs)	A	385.04	108.83
Weighted average no. of equity shares outstanding	B	42,29,03,896	6,55,37,698
Add : Weighted average number of potential equity shares that could arise on conversion of equity share capital suspense	C	4,00,00,000	4,00,00,000
Weighted average no. of shares outstanding for Diluted EPS	D=B +C	46,29,03,896	10,55,37,698
Diluted EPS (Rupees)	**A/D**	**0.08**	**0.10**

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

(a) **Gratuity:**

The company has defined benefit gratuity plan and the funds are managed by LIC. The following comparative tables of 2009-10 and 2008-09 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	**2009-10**	**2008-09**
Present value of funded obligations	6759.18	4922.65
Fair value of plan assets	6759.18	4922.65
Present value of unfunded obligations	10468.21	6485.51
Unrecognized past service cost	Nil	Nil
Net liability	10468.21	6485.51
Amounts in the balance sheet		
Liabilities	17227.40	11408.16
Assets	6759.18	4922.65
Net liability	10468.21	6485.51

II Expenses recognized in Income Statement	**2009-10**	**2008-09**
Current service cost	734.82	268.06
Interest on obligation	912.65	776.55
Expected return on plan assets	(529.31)	(400.91)
Net actuarial losses (gains) recognized in the year	82.98	1706.22
Past service cost	5204.79	Nil
Losses (gains) on curtailments and settlement	Nil	Nil
Expense recognized in P&L	6405.93	2349.92

III Table Showing Change in Benefit Obligation	**2009-10**	**2008-09**
Opening Defined Benefit Obligation	11408.16	9706.85
Service cost for the year	734.82	268.07
Past service cost	5204.79	Nil
Interest cost for the year	912.65	776.55
Actuarial losses (gains)	92.08	1656.07
Benefits paid	(1125.10)	(999.38)
Closing defined benefit obligation	17227.40	11408.16

IV. Table of Fair Value of Plan Assets	2009-10	2008-09
Opening fair value of plan assets	4922.65	3868.40
Expected return	529.31	400.91
Actuarial gains and (losses)	9.10	(50.14)
Assets distributed on settlements	--	--
Contributions by employer	2423.22	1702.87
Assets acquired in an amalgamation in the nature of purchase	--	--
Exchange differences on foreign plans	--	--
Benefits paid	(1125.10)	(999.39)
Closing balance of fund	6759.18	4922.65

V. Tables showing Category of plan Assets	2009-10	2008-09
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	2009-10	2008-09
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)	2009-10	2008-09
Defined Benefit Obligation	17227.40	11408.16
Plan assets	6579.18	4922.65
Surplus / (deficit)	(10468.21)	(6485.51)

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.6405.93 lakhs towards gratuity for year 2009-10. However the provision for the gratuity appears in the Balance Sheet of GUVNL. This includes the provision towards incremental liability to the tune of Rs. 5204.79 lakhs on account of amendment in Gratuity Act providing for and revision in the Gratuity limit from existing Rs. 3.50 lacs to Rs. 10.00 lacs w.e.f 18.05.10.

(b) **Leave Salary:**

(Amount Rs. In lacs)

I Amounts to be recognized in Balance Sheet	2009-10
Present value of funded obligations	Nil
Fair value of plan assets	Nil
Present value of unfunded obligations	
Unrecognized past service cost	10857.05
Net liability	Nil
	10857.05
Amounts in the balance sheet	
Liabilities	10857.05
Assets	-
Net liability	10857.05

II Expenses recognized in Income Statement	2009-10
Current service cost	152.35
Interest on obligation	782.21
Expected return on plan assets	-
Net actuarial losses (gains) recognized in the year	966.49
Past service cost	Nil
Losses (gains) on curtailments and settlement	Nil
Expense recognized in P & L	1901.05

III Table Showing Change in Benefit Obligation	2009-10
Opening Defined Benefit Obligation on 1-4-2009	9777.68
Service cost for the year	152.35
Interest cost for the year	782.21
Actuarial losses (gains)	966.49
Losses (gains) on curtailments	-
Benefits paid	(821.68)
Closing defined benefit obligation on 31-3-2010	10857.05

IV. Table of Fair Value of Plan Assets	2009-10
Opening fair value of plan assets	-
Expected return	-
Actuarial gains and (losses)	-
Assets distributed on settlements	-
Contributions by employer	-
Assets acquired in an amalgamation in the nature of purchase	-
Exchange differences on foreign plans	-
Benefits paid	-
Closing balance of fund	-

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

VI. Principal Actuarial Valuation	2009-10
Discount rate as on 31-3-2010	8.00%
Expected return on plan assets at 31-3-2010	-
Annual increase in Salary costs	5.00%

VII. Table Showing Surplus / (Deficit)	2009-10
Defined Benefit Obligation	10857.05
Plan assets	-
Surplus / (deficit)	(10857.05)

In terms of the accounting policy, liability of Rs. 1901.05 Lacs in respect of leave encashment is accounted on the basis of actuarial valuation made by Life Insurance Corporation of India during the year.

23. 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

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

(H M Pomal)
Partner

(M B Patel, GAS)
Joint Managing Director

(S B Raval, IAS)
Managing Director

Place: Ahmedabad
Date: 23 September 2010

(Sudhir Bhatt)
Company Secretary

(K S Malkan)
General Manager (F&A)

Place: Gandhinagar
Date: 23 September 2010