

11TH ANNUAL REPORT

2005-06

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BOARD OF DIRECTORS

Shri A.K. Tripathy, IAS
Chairman-Cum-Managing Director

Shri B.K. Patnaik, IAS	Shri P. Venugopal Rao
Shri U.P. Singh, IAS	Shri B.B. Singh Samant
Shri D.P. Das, IAS	Shri A.B. Rao
Shri R.R. Das, IRS Director (Finance)	Shri M.S. Samantray
Shri A.K. Mohanty Director (HRD)	Shri G.M. Sahu
	Shri A.B. Mahapatra CGM(El.) & Director (Operation) I/c

Company Secretary
Shri P.K. Sahoo

BANKERS

State Bank of India

Indian Overseas Bank

Bank of India

Union Bank of India

STATUTORY AUDITORS

M/s. B.N. Mishra & Co.
Chartered Accountants

BRANCH AUDITORS

M/s. C.K. Prusty & Associates
Chartered Accountants

M/s. MPS & Associates
Chartered Accountants

M/s. ABP & Associates
Chartered Accountants

M/s. N. Agarwala & Associates
Chartered Accountants

M/s. K. Panigrahi & Associates
Chartered Accountants

DIRECTORS' REPORT

To
The Members,
Orissa Hydro Power Corporation Ltd.,
Bhubaneswar.

- The Directors have the pleasure in presenting the 11th Annual Report of the Company together with the audited accounts for the year ended 31st March, 2006.

2. ENERGY SCENARIO

The installed power generating capacity in the Country as on July, 2006 is 1,26,839 MW excluding the captive power generation (14636 MW). The share of hydro power is 32976 (26%). Power generation in 2005-06 was about 616 billion units including hydro power of 101 billion units. The hydro power generation accounts for 16.4% of the power generation.

The Eastern Region comprising Bihar, Jharkhand, Orissa, West Bengal, Sikkim and Union Territory of Andaman Nicobar Islands has an installed capacity of 16549 MW as on 31.07.2006 which includes the share of States in the central power generating units. The hydro power capacity of the Eastern Region is 2502 MW (15%). The installed capacity of OHPC as on 31.07.2006 is 1912 MW. This accounts for 77 % of the hydro power installed capacity of the Eastern Region.

3. PERFORMANCE HIGHLIGHTS:

The Hydro power generating stations in the State were transferred to OHPC on 01.04.1996. The financial year 2005-06 is the 10th operating year of OHPC. Brief physical and financial result of the year 2005-06 and the previous three years is given hereunder.

(a) Power Generation:

Units	Installed capacity (MW)	Design Energy (MU)	Generation (MU)				
			02-03	03-04	04 - 05	05-06	06-07(upto Aug.,06)
(i) Hirakud Power System (HPS)	347.5	1174	648	956	845	909	398
(ii) Balimela	360.0	1183	546	1146	1526	1055	448
(iii) Rengali	250.0	525	644	1052	750	679	289
(iv) Upper Kolab	320.0	832	497	657	896	624	381
(v) Upper Indravati	600	1962	807	2141	2851	1763	1305
Sub-total	1877.5	5676	3142	5952	6868	5030	2821
(vi) Machkund (Orissa share)	34.5*	300	266	199	366	324	131
Total	1912.0	5976	3408	6151	7234	5354	2952

- * Installed capacity of Machkund Joint H E Project is 114.75 MW. Besides 30 % share (34.5 MW) on payment of O&M cost, additional 20% (23 MW) is available to OHPC at a mutually agreed tariff.

Power generation during 2005-06 in all units except Rengali HEP was lower than the design energy mainly on account of poor monsoon.

(b) Energy sold to Gridco. (Million Units)

Sl No	Units	Design energy for sale	02-03	03-04	04-05	05-06	06-07 upto Aug., 06
1	Hirakud Power System	1162	616	903	806	875	381
2	Balimela	1171	526	1118	1495	1024	436
3	Rengali	520	621	1028	731	667	283
4	Upper Kolab	824	473	637	867	611	374
5	Upper Indravati	1942	790	2110	2827	1751	1298
	Sub-Total	5619	3026	5796	6726	4928	2772
6	Machkund (Orissa share)	300	266	199	366	324	131
	Total	5919	3292	5995	7092	5252	2903

(c) Availability of the Power Stations (Percentage)

Power Stations	Financial years				
	2001-02	2002-03	2003-04	2004-05	2005-06
Burla	72.99	67.98	72.34	78.76	65.41
Chiplima	57.80	24.11	56.80	50.91	47.98
Balimela	89.56	92.37	91.76	86.60	87.18
Rengali	76.22	76.61	89.67	88.77	81.16
Upper Kolab	94.23	95.27	94.95	93.90	76.50
Upper Indravati	83.29	88.55	70.46	90.27	68.86

In Burla, the availability of power stations in the year 2005-06 was less due to problems in guide vane of Unit – 2 and voltage build up of unit-5. In Chiplima, it was less due to problems in runner bush and turbine of Unit -3. In Rengali, the availability was less due to brake track problem of

unit -3 since 23.11.2005. In UIHEP, the availability was less due to rotor pole repair work of all four units for four months each. In UKHEP, the availability was less due to stoppage of unit-4 since 19.07.2005 for rectification of generator interturn fault.

(d) Financial Results: (Rs.in Crores)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Sale of power	233.76	215.26	171.41	230.33	275.94	208.46
Profit after prior period adjustment but before depreciation and tax	65.92	92.70	59.11	118.50	174.93	89.70
Less: Depreciation	93.36	96.59	101.03	112.33	110.85	112.66
Net profit + / Loss (-) before tax. (MAT & FBT)	(-)27.44	(-)3.89	(-)41.92	6.17	64.08	(-)22.96

For the years 1996-97 to 1999-2000, there was normal tariff and OHPC had earned profits in all these years. For the year 2000-01 there was monsoon failure and the cash profit earned was Rs.65.92 crores. During the year, full depreciation on the dam of UIHEP was charged to the accounts for which there was a loss. From the year 2001-02, the tariff of OHPC is based on reimbursement of costs. In the year 2001-02, though the power generation was more than the design energy, the loss was mainly due to tariff restriction. The loss in the year 2002-03 was on account of both monsoon failure and tariff restriction. In spite of tariff restriction, there was profit in the years 2003-04 and 2004-05 mainly on account of good monsoon leading to higher generation than the design energy. The loss in the year 2005-06 was due to both monsoon failure and tariff restriction.

The profit / (loss) of the units during the year 2005-06 compared to the previous years is as under:

<u>Sl No</u>	<u>Units</u>	<u>Profit / (Loss) (Rs. in crores)</u>				
		<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
1	HPS	(14.88)	(22.00)	(16.43)	(29.25)	(11.83)
2	Balimela	(7.85)	(16.67)	2.44	12.55	(18.15)
3	Rengali	(4.56)	(19.28)	1.01	(1.50)	(4.43)
4	Upper Kolab	(4.59)	(8.24)	(4.60)	4.71	(14.78)
5	UIHEP	27.99	24.27	23.75	77.57	26.23
Total before MAT & FBT		(3.89)	(41.92)	6.17	64.08	(22.96)

Machkund Joint Project:

Machkund was a joint Project of Govt. of Orissa and Govt. of Andhra Pradesh. The management of Orissa share in the Project was transferred to OHPC on 01.04.1997. The 30% share in the O&M costs and the cost of power supplied beyond the 30% share are recovered from Gridco and remitted to APGENCO. Therefore, the Annual Accounts of OHPC do not include the financial results of this joint Project.

(e) Highlights of the financial year 2005-06

- (i) RM&U of Unit 3&4 of Burla were completed and both the units started commercial operation on 01.01.2006.
- (ii) The rotor pole repair work of all the four units of UIHEP were completed before the schedule.
- (iii) The high interest bearing APDP loan of Rs. 19 crs plus interest accrued has been fully paid to the State Govt. in January, 2006.

4. ACTIVITIES DURING THE YEAR 2006-07

The year witnessed good rain fall in the months of July to September, 2006. Reservoir level position as on 20th September, 2006 of the current year and the last two years is as under:

Name of the Reservoir	Unit	Full Reservoir Level	Minimum Draw Down Level	Level as on		
				20.09.2004	20.09.2005	20.09.2006
(i) Hirakud	Feet	630	590	623.19	629.02	630.06
(ii) Balimela	Feet	1516	1440	1484.10	1474.40	1516.60
(iii) Rengali	Metre	123.50	109.72	120.03	119.38	123.19
(iv) Upper Kolab	Metre	858	844	854.90	851.78	857.22
(v) Indravati	Metre	642	625	640.55	636.50	641.70
(vi) Machkund	Feet	2750	2685	2743.90	2730.50	2747.05

Power generation during the five months ended Aug 06 compared to the corresponding period of last year and the target of the year is as under:

Units	Power Generation (Million Units)		
	Target fixed by CEA (For 2006-07)	Current Year (4/06 to 8/06)	Power generation Previous Year (4/05 to 8/05)
Hirakud Power System	1050	398	340
Balimela	1050	448	335
Rengali	769	289	393
Upper Kolab	664	381	293
Upper Indravati	1962	1305	807
Sub-Total	5495	2821	2168
Machkund	300	131	110
Total	5795	2952	2278

With a good rainfall and better reservoir level, the power generation during the current year is likely to exceed the design energy level.

5. TARIFF STRUCTURE:

Based on the correctives suggested by the OERC and accepted by the State Govt., the hydropower tariff for the year 2001-02 onwards is based on reimbursement of costs.

Broadly, the parameters of the tariff structure of OHPC are as under:

- (i) The effect of up-valuation of old hydro power stations (Rs. 766.20 crores) on the tariff has been kept in abeyance.
- (ii) No Return on Equity (RoE) is allowed in respect of the assets of old power stations transferred to OHPC.
- (iii) Depreciation is calculated at pre-1992 norms of GoI. However, it covers principal repayments due during the year.
- (iv) Interest on debt servicing of the State Govt. is kept in abeyance.
- (v) The receivables against Gridco as at 31.03.2001 is to be securitised through issue of power bonds.
- (vi) Government would exempt water cess on the volume of water used by OHPC for generation of electricity.

OHPC provides the cheapest power and meets the peak load requirement of the State Grid. It's financial position will improve after it's tariff is liberated from the above restrictions.

6. STATUS OF THE PROJECTS UNDER IMPLEMENTATION:

(a) Ongoing Projects:

(i) RM & U of Unit 3 &4 Burla Power House:

The implementation of the project were taken up in July, 2002. The capital outlay of Rs. 126 crores is being financed by PFC loan of Rs. 88 crores and APDP assistance of Rs. 38 crores. The RM&U works have completed. Both the units started commercial operation from 1st January, 2006.

(ii) Extension of Balimela H E Project:

The extension envisages setting up two units namely Unit 7 & 8 of 75 MW each. The Contracts one with M/s. OJSC Power Machines, Russia for supply of plant & equipments and the other with M/s.LMZ Energy (India), New Delhi for the indigenous services were signed on 24.10.2003, which is considered as the zero date. The schedule date of completion of the project is 36 months from the zero date. However, there is a delay of about 4-5 months from the scheduled implementation. The capital outlay of the project is estimated at Rs.200 crores. It is partly financed by loan from PFC. The overseas supplies are complete and erection of the equipments are in progress. The Contractor has been advised to expedite erection activities for the commissioning of the project by February, 2007.

(iii) Potteru Small Hydel Project (2x3 MW):

Commercial operation of the first unit is expected after rectification of governing system by M/s. Best & Crompton. They have been pursued to mobilise resources for early rectification of the defects.

(b) Proposed Renovation & Modernisation:

Necessary clearances and approvals of appropriate authorities for taking up the R&M of Unit 5&6 of Burla Power House and Unit-3 of Chiplima Power House have been obtained. The capital cost & financing pattern are as under:

		(Rs. in crores)		
	R&M	Capital cost	PFC Loan	Internal resources
(i)	Unit 5&6, Burla	94.12	75.30	18.82
(ii)	Unit – 3, Chiplima	29.55	23.64	5.91

The loan agreement with PFC have been signed in June, 2005. The evaluation of the tenders for selection of Contractors for supply & erection of R&M of Unit 5&6, Burla are under process. The tendering process for the R&M of Unit 3 Chiplima has started.

7. (a) Manpower

The employees position as on 01.09.2006 (executives and non-executives including regular, NMR and Contingent Khalasis but excluding 447 employees on deputation from DOWR posted at UIHEP, Khatiguda) is as under:

Sl No	Units	Installed Capacity MW as on 01.09.2006	Total number of employees		Employees per MW as on 01.09.06
			As on 01.4.97	As on 01.09.06	
A.	Corporate Office	0	178	162	-
B.	Projects under operation:-				
(i)	Rengali HEP	250	1064	606	2.42
(ii)	Upper Kolab	320	449	356	1.11
(iii)	Hirakud Power System	347.5	913	610	1.76
(iv)	Balimela HEP	360	779	475	1.32
(v)	UIHEP (Electrical) NMR & Cks	600	583 922	551 106	} 1.10
(vi)	Machkund Joint Scheme (30% share)	34.5	166	124	
	Total	1912	5054	2990	1.56

Manpower has been rationalized to a substantial level. A total reduction of 2064 manpower working out to 41% has been achieved since April, 1997.

(b) Training & Development

The Management provides continuous emphasis on manpower training and development activities. Refresher training to executives and non-executives of the power plants is being imparted at the OHPC training centre, an Institute recognized by the CEA. Employees are also sponsored for training conducted by reputed outside agencies. Seminars and workshops are being organized in-house for all categories of employees to keep them updated in the related areas.

(c) Industrial Relations

Industrial relations remained cordial and harmonious.

(d) Website

Information about the Corporation can be obtained from its website www.ohpltd.com

8. SHARE CAPITAL

The authorised share capital of the Company is Rs. 1000 crores comprising of one crore equity shares of Rs. 1000/- each. Present paid up equity share capital is Rs. 320.80 crores.

9. BOARD OF DIRECTORS.

The following changes have occurred in the Board of Directors since the last Directors' Report.

Sl No	Name of the Directors	Date of appointment	Date of cessation of Directorship
1	Sh. S C Behera, Director (Operation)	18.11.2005	31.12.2005
2	Sh.S C Mahapatra, IAS, Director	04.08.2003	09.08.2006
3	Sh. A K Mohanty, Director (HRD)	04.08.2006.	-
4	Sh. U P Singh, IAS, Director	09.08.2006.	-

10. DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217 (2AA) OF THE COMPANIES (AMENDMENT) ACT, 2000.

The Directors wish to state that:

1. The annual accounts have been prepared in accordance with the applicable accounting standards along with proper explanations relating to material departures.
2. Such accounting policies have been selected and applied which are reasonable and prudent 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 of the profit or loss of the Company for that period.
3. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

11. AUDITORS

M/s. B N Mishra & Co., Chartered Accountants, Bhubaneswar was appointed as the Statutory Auditors of the Company and five Chartered Accountant firms were appointed as Branch Auditors for the hydro power stations by the C&AG for the year 2005-06.

12. AUDITORS' REPORTS

The Report of the Statutory Auditors and comments of the C&AG on the accounts of the Company for the year 2005-06 and the replies of the Management to the report / comments of the Auditors are enclosed to this report.



13. AUDIT COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956, an Audit Committee has been constituted by the Board in their 37th meeting dtd.24.03.2001. The present composition of the Audit Committee is as follows:

- | | | | |
|-------|--------------------------------|---|----------|
| (i) | Sh. P. Venugopal Rao, Director | - | Chairman |
| (ii) | Sh. A B Rao, Director | - | Member |
| (iii) | Sh. B B SinghSamant, Director | - | Member |
| (iv) | Director (Operation) | - | Member |

Six meetings of the Audit Committee for review of the accounts, auditors reports and internal audit observations were held during the year 2005-06.

14. PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

NIL

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars) Rules, 1998 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is Annexed to this report.

16. ACKNOWLEDGEMENT

The Directors take this opportunity to record their deep appreciation of the continuing support, guidance and co-operation received from the Govt.of India, Govt.of Orissa, CEA, PFC, GRIDCO, Banks and other associated Organizations.

The Directors also express their sincere thanks to all the business Associates, professional Consultants, Auditors, Solicitors for their continued patronage and assistance.

The Directors also wish to record their deep sense of appreciation for the sincere and dedicated services rendered by the employees of the Corporation.

FOR AND ON BEHALF OF THE BOARD

Bhubaneswar
Dt.03.10.2006

Sd/-
(A K TRIPATHY, IAS)
CHAIRMAN-CUM-MANAGING DIRECTOR

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 FOR THE YEAR ENDED 31ST MARCH, 2006.

A. CONSERVATION OF ENERGY :

(a) **Energy measures taken and on hand**

OHPC power system is designed in optimal manner such that power losses (auxiliary consumption) are minimized.

(b) **Additional investments and proposals if any, being implemented for reduction of consumption of energy.**

There is no proposal for direct investment by the Corporation at present.

(c) **Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

Optimum Utilization is made during the year under report.

(d) **Total Energy consumption and Energy consumption per unit of production as per Form-A of the Annexure thereto.**

OHPC is not covered in the category of industries mentioned in the schedule.

B. TECHNOLOGY ABSORPTION:

NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO DURING 2005-06: (Rs. in lakhs)

	<u>2005-06</u>	<u>2004-05</u>
(a) Earnings in foreign exchange	Nil	Nil
(b) Foreign Exchange Outgo		
(i) Value of imports directly made for capital expenditure and spare parts.	3019.56	1860.06
(ii) Expenditure in foreign currency for foreign visits	0.98	-
(iii) Expenditure incurred in foreign currency on cash basis being payment made to consultants.	1.01	-
	3021.55	1860.06

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ORISSA HYDRO POWER CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2006.	REPLIES OF THE MANAGEMENT
BALANCE SHEET Sources of Funds Current Liabilities and Provisions (Schedule-9) Liabilities Sundry Creditors for others: Rs.0.26 lakh	
<p>1. A reference is invited to Para 16(a)(c)(i) of the Note on Accounts. Despite comments of C&AG of India on the accounts for 2001-02 to 2004-05, no provision has been made for an amount of Rs.5.75 crore towards stamps duty payable on bonds issued though the request for exemption from stamp duty was turned down by the Government. This has resulted in understatement of Current Liabilities and overstatement of Accumulated Profit by Rs.5.75 crore each.</p>	<p>The liability of Rs.5.75 Crore towards Stamp duty was not shown in the statements of Assets & liabilities vested with OHPC as on 01.04.96. OHPC has moved the State Govt. for reconsideration of their decision and treat the bonds as loan. It may be noted that the issue of bonds was on account of the up-valuation of assets which has been kept in abeyance from 2001-02 till turn around of the electricity Sector or 2005-06 whichever is earlier vide Govt. of Orissa, DOE Notification dtd. 29.01.03. Therefore, it is disclosed under contingent liabilities.</p>
Application of Funds Fixes Assets (Gross Block) (Schedule-05) : Rs.2797.62 crore <p>2. The company procured (May-2005) mandatory machinery spares worth Rs.10.57 crore and accounted them as 'Inventory' instead of capitalizing and depreciating the same over the balance life of Principal Asset as envisaged in Accounting Standard-10. This has resulted in understatement of Fixed Assets (Gross Block) by Rs. 10.57 crore and depreciation by Rs.0.75 Crore</p>	<p>The machinery spares procured in May '2005 are not mandatory machine spares as these are not part of the machinery equipment. These are stores consumed regularly and hence correctly treated as inventory.</p>

<p>with corresponding understatement of loss by Rs.0.70 crore (spares worth Rs.5 lakh consumed and charged to Profit and Loss Account during the year)</p>	
<p>Current Assets, Loans and Advances (Schedule-08) Sundry Debtors: Rs.449.01 crore</p> <p>3(i). The above includes Rs.2.80 crore being the surcharge on belated payment raised against GRIDCO up to March 2001 which was not in conformity with the Orders of Orissa Electricity Regulatory commission (OERC) and also with the Company's Accounting Policy No.6.3 on 'Revenue Recognition'. As realisation of this amount is uncertain, provision for the same should have been made in the accounts. Non-provision for the above has resulted in overstatement of sundry debtors for Sale of Power by Rs.2.80 crore with corresponding overstatement of Accumulated Profit by an equal amount. Despite comments of the C&AG of India on the accounts for the years 2001-02 to 2004-05 the company has not taken any rectificatory action.</p>	<p>Delayed payment surcharge of Rs.2.80 crores has been accounted for in the year 1996-97 according to the PPA signed between OHPC and Gridco which is binding on both the parties. This is a settled matter and part of certified accounts for the said year. OERC order dtd. 09.07.2001 relate to the interim PPA for the years 1998-99 to 2000-01. This does not have any effect on the PPA signed and settled for the year 1996-97.</p> <p>Hence, there is neither overstatement of Sundry Debtors nor Accumulated profits by an equal amount.</p>
<p>(ii) This does not include Rs.35.82 lakh towards Electricity Duty on Auxiliary consumption receivable from GRIDCO as per OERC tariff order for the year 2001-02 to 2005-06. This has resulted in overstatement of Loss for the year by Rs.1.59 lakh, understatement of Accumulated Profit by Rs.34.23 lakh with corresponding understatement of Sundry Debtors by Rs.35.82 lakh.</p>	<p>OHPC has been paying Electricity Duty (ED) to Govt. on its actual auxiliary consumption. However, ED towards auxiliary consumption limited to 0.5% of the generation is recoverable from GRIDCO. But ED towards auxiliary consumption computed at 0.5% of Design Energy has been passed through in the tariff and recovered proportionately on the energy sold to GRIDCO. The amount of ED recoverable from GRIDCO and already recovered through sale of energy are being worked out to raise the claim on GRIDCO.</p>

<p>PROFIT AND LOSS ACCOUNT</p> <p>Expenditure</p> <p>Interest & Financial Charges (Schedule-15)</p> <p>Interest on Government Loan: Rs.3.84 crore</p> <p>4. On formation of the company from 01.04.1996, the State Government sanctioned loan of Rs.683.50 crore as part adjustment of Purchase Consideration. Out of this Rs.39.20 crore was to bear an interest of 9.8% per annum. Out of the remaining Rs.644.30 crore, Rs.500 crore along with interest accrued thereon was to be converted to equity on commissioning of Upper Indravati HEP. The remaining loan of Rs.144.30 crore carrying interest @ 13% per annum was to be repaid over a period of 15 years after a moratorium of 5 years.</p> <p>Though the company provided interest on Rs.39.20 crore for the period from 1996-97 to 2005-06, it has neither provided for interest on the loan of Rs.644.30 crore (part of which on loan of Rs.500.00 crores to be converted into equity on commissioning of Upper Indravati Hydro Electric Project) for the above period nor disclosed the facts in the notes on the accounts.</p>	<p>The Govt. loan of Rs.39.20 Crores relates to the Units in operation as on 1.4.96. Interest @ 9.8% on this loan has been allowed in the tariff by the OERC & as such provided in the accounts</p> <p>The detailed break-up of Govt. Loan of Rs.644.30 Crore is as follows.</p> <ul style="list-style-type: none"> a) Rs.497.86 Crore - State Govt. Loan 2(A) UIHEP b) Rs.132.14 Crore - State Govt. Loan 2(B) UIHEP c) Rs.14.30 Crore - State Govt. Loan (3) - Potteru <p>Out of the above three loans, Rs.132.14 Crore is interest free perpetual loan & so no interest is charged on Rs.132.14 Crore. The interest on balance loan i.e. Rs.512.16 Crore (497.86 Crore + 14.30 Crore) is charged upto 31.3.2001 which is shown under Schedule-4 of Balancesheet as unsecured loan. As per Govt. Notification No.1068/29.1.03, moratorium on debt servicing by OHPC to the State Govt. was allowed from 2001-02 to 2005-06. Accordingly no interest on Govt. Loan was passed in the tariff fixed by OERC. Therefore, no interest was provided in the accounts. This has been intimated to Govt. With regard to conversion of loan in to equity, the Govt. has been moved for appropriate action. Necessary disclosure in this regard will be made in the notes on accounts of 2006-07.</p>
<p>General</p> <p>5.(i) The sale of 4928.604 MU of power during the year 2005-06 has not been reconciled with GRIDCO. This should have been disclosed.</p>	<p>Noted for future guidance.</p>
<p>(ii) The company supplied power from its auxiliary systems to its own colony, Water Resource Department and to some private consumers</p>	<p>Noted for future guidance.</p>

<p>against which SOUTHCO raised the demand (April 1996 to September 2005) and the company paid it. Since the company billed GRIDCO for the net power supplies (excluding auxiliary consumption), it raised a counter demand on SOUTHCO for Rs.22.12 crore for the above period. SOUTHCO did not (May, 2003) honour the bill on the ground that the company was not a Distributing Agency. The claim being disputed should have been disclosed.</p>	
<p>(iii) As per Part-II, Schedule-VI, clause 4D (c) of the Companies Act, 1956, the Profit and Loss Account shall contain by way of a note the value of all imported raw materials, spare parts and components consumed during the financial year and the value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption. The fact has not been disclosed.</p>	<p>Noted for future guidance.</p>
<p>(iv) The company paid Rs.71.18 lakh to two private colleges as Grant-in-Aid and debited the same to Profit and Loss Account during the year under the head "Employees and other related cost". The above fact should have been disclosed.</p>	<p>The Colleges were established and financed by the project before transfer to OHPC. The Colleges cater the education of the employee's children and so it is coming under the welfare activity of the Corporation. The amount paid by OHPC is booked to grant-in-aid under the sub head of educational expenses which is coming under the main head of salary related expenses. So separate disclosure is not required.</p>

For and on behalf of BOARD OF DIRECTORS

Sd/-
(ATREYEE DAS)
ACCOUNTANT GENERAL

Sd/-
(A. K. TRIPATHY, IAS)
CHAIRMAN-CUM-MANAGING DIRECTOR



B.N. Mishra & Co.
CHARTERED ACCOUNTANTS

S-29, maitri Vihar (Phase-II), Chandrasekharpur
Bhubaneswar – 751023, Ph. : (0674) 2302776
E-mail : bnmishraco@yahoo.co.in
bnmishraco@rediffmail.com

AUDITORS' REPORT

To,
The Members of
Orissa Hydro Power Corporation Ltd.
Bhubaneswar

We have audited the attached Balance sheet of “ORISSA HYDRO POWER CORPORATION LTD.” as at 31st March, 2006 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date, in which are incorporated the accounts from the Units audited by the Unit/Branch Auditors. These financial statements are the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure-I a statement on the matters specified in paragraph 4 and 5 of the said Order, to the extent applicable to the Company.

Further to our comments in the Annexure-I referred to above and subject to our separate comments in Annexure-II 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 appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors' Reports have been forwarded to us and have been appropriately dealt with;
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts and with the audited returns from the branches;
- iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;

- v) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March' 2006;
 - (b) in the case of Profit & Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

Place : Bhubaneswar
Date : 04.07.2006

For **B.N. MISHRA & CO.**
Chartered Accountants

Sd/-
(B.N. Mishra)
Partner

B.N. Mishra & Co.
CHARTERED ACCOUNTANTS

S-29, maitri Vihar (Phase-II), Chandrasekharpur
Bhubaneswar – 751023, Ph. : (0674) 2302776
E-mail : bnmishraco@yahoo.co.in
bnmishraco@rediffmail.com

ANNEXURE - I TO THE AUDITORS' REPORT

(Referred to in our report of even date)

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except in the cases of BHEP, Balimela and UIHEP, Mukhiguda, where the above records including the required details are not maintained.
- (b) The fixed assets of the Company have been physically verified by the management once in a year, in the cases of RHEP, Rengali & UKHEP, Bariniput and no material discrepancy were noticed during such verification. In case of fixed assets other units of the company namely BHEP, Balimela & UIHEP, Mukhiguda and HPS, Burla no physical verification has been done during the year, and hence the question of discrepancy, if any could not be ascertained. In case of Corporate Office physical verification of some of fixed assets have been done and no material discrepancies were notice during such verification.
- (c) The Company has not disposed off a substantial part of its fixed assets during the year so as to affect the going concern.
- ii) (a) In our opinion, as per the information and explanation given to us and according to the Unit Auditors' Reports, the inventories have been physically verified at reasonable intervals by the management during the year.
- (b) In our opinion, as per the information and explanations given to us and according to the Unit Auditors' Report, the procedure of physical verification followed by the Units is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) As reported by the Unit Auditors, the Company is maintaining proper records of inventory and the discrepancies, if any between physical stock and book records noticed on such physical verification are under reconciliation and will be dealt with in the books of accounts after reconciliation except in cases of BHEP, Balimela & UIHEP, Mukhiguda & UKHEP, Bariniput physical verification reports could not be produced to auditors.
- iii) (a), (b), (c) & (d) In our opinion, as per the information and explanation given to us and according to the Unit Auditors' Reports, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956, except the advance interest of Rs.30.00 crores given to Govt. of Orissa, for last 2 years, which is in effect not in nature of advance but in nature of loans and no interest is charged on same.
- iv) In our opinion, as per the information and explanation given to us and according to the Unit Auditors' Reports, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed' assets and for the sale of power and services. We have not noticed any continuing failure to correct major weaknesses in internal control system.

- v) (a) & (b) In our opinion, as per the information and explanation given to us and according to the Unit Auditors' Reports, there are no contracts or arrangements during the year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) In our opinion, as per the information and explanations given to us and according to the Unit Auditors' Reports, the Company has not accepted any deposits from the public during the year within the meaning of Sections 58A, 58AA or any other relevant provisions of the companies Act, 1956 and the rules framed there under.
- (vii) The Company has an Internal Audit System at Head Office and at Unit offices. As per the Unit Auditors' Reports & as per information & explanation given to us, in our opinion the coverage of Internal Audit functions carried by the management of the Company at the units can be considered to be commensurate with the size of the Company and the nature of its business.
- (viii) As explained to us and according to the Unit Auditors' Reports, maintenance of cost records has been prescribed by the Central Government under Section 209(1)(d) of the Companies Act 1956 and such accounts and records have been made and maintained except in the case of UIHEP, Mukhiguda where such accounts and records are under preparation.
- (ix) a) As per checks carried on by us and according to the Unit Auditors' Reports the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities except in case of UIHEP, Mukhiguda where an amount of Rs. 18,03,953.00 stands outstanding against OHPC P.F. Trust which as explained, is not due for payment but has arisen due to mistake in reconciliation and adjustment. As per information given to us Employees State Insurance Act is not applicable to the Company.
- (b) As per the information and explanations given to us and according to the Unit Auditors' Reports, there are no disputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess outstanding as at the end of the financial year except in the cases of BHEP, Balimela and UIHEP, Mukhiguda where the following disputed amounts have not been deposited.

Name of Unit	Nature of Dues	Disputed Amount (Rs.)	Forum where dispute is pending
BHEP, Balimela	Entry Tax (Sales Tax)	1,13,832.00	Commissioner of Commercial Tax, Cuttack
UIHEP, Mukhiguda	Sales Tax	20,90,646.00	High Court, Orissa

- (x) 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 immediately preceding financial year.
- (xi) According to the information and explanations given to us and as per the Unit Auditors' Reports the Company has not defaulted in repayment of dues to any financial institution or bank.
- (xii) As explained to us and as per the Unit Auditors' Reports the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) As explained to us and as per the Unit Auditors' Reports the provision of this clause is not applicable to the Company.
- (xiv) As explained to us and as per the Unit Auditors' Reports the Company is not dealing or trading in shares, securities, debentures and other investments.



- (xv) As explained to us and as per the Unit Auditors' Reports the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) As per the information and explanation given to us and as per the Unit Auditors' Reports the funds raised by the Company on short term basis have not been used for long term investment. In case of UKHEP, Bariniput long term funds have been used for permanent working capital.
- (xvii) As per the information and explanation given to us and as per the Unit Auditor's Reports the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xviii) As per the information and explanation given to us and as per the Unit Auditors' Reports the Company has not issued any debentures during the year.
- (xix) According to the information and explanation given to us and as per the Unit Auditors' Reports the Company has not raised any money by public issue during the year.
- (xx) According to the information and explanation given to us and as per the Unit Auditors' Report no fraud on or by the Company has been noticed or reported during the year.

Place : Bhubaneswar
Date : 04.07.2006

B.N. MISHRA & CO.
Chartered Accountants

Sd/-
(B.N. Mishra)
Partner

B N MISHRA & CO
CHARTERED ACCOUNTANTS
 S-29, Maitri Vihar (Phase – II), Chandrasekharpur
 Bhubaneswar – 751 023.

ANNEXURE – II TO THE AUDITORS’ REPORT
(Referred to in our report of even date)

1. General	Replies of the Management
Confirmation of Balance in respect of secured loans, unsecured loans, Sundry creditors, sundry debtors, Advance to suppliers, Advances to contractors and others & payable to others are not obtained.	Secured loans, Unsecured loans, Debtors are confirmed. As regards Advance to contractor & supplier, necessary steps are being taken to get the confirmation.
2 Corporate Office	
(i) Current liabilities (Schedule – 9) include debit balances of Rs. 25,24,118/- of OHPC PF Trust A/c, which, in our opinion, should have been disclosed under Current Assets of the Balance Sheet.	Noted.
(ii) Reduction in rate of interest from 15% to 8.5% with retrospective effect from 01.04.01 on Gridco Bond of Rs.50.00 Crores has been accepted during 2005-06. This adversely affects income of OHPC by Rs. 16.25 Crore.	Reduction of interest on Gridco bond for 15% to 8.5% has been approved by BoD and accordingly it was accounted for.
(iii) Interest receivable from Gridco on Gridco Bond for the period 24.12.05 to 31.03.06 are not taken into accounts.	As per AS-9, due to uncertainty of realisation, the interest on Gridco bond was not accounted for on accrual basis. So the interest received during the year is shown as interest earned and accounted for on cash basis as disclosed in accounting policy vide para 6.2.
(iv) Advance interest of Rs. 30.00 Crores has been given to State Govt 2 years back without specifying any purpose. OHPC has not taken any effective steps to recover the above huge amount from State Govt. As the amount is outstanding for last 2 years; the advance is in the nature of loan. Either Rs.30 Crores should be	Govt. has been requested several times to adjust Rs.30.00 crores against the dues payable to State Govt. which is yet to be done.

<p>adjusted from loan from State Govt. or should be reflected as loan to State Govt. In either case interest should be collected from Govt. of Orissa on Rs. 30 Crores to protect the interest of OHPC.</p>	
<p>3 Rengali</p>	
<p>(i) Direct expenses relating to purchase of inventories like taxes, freight inward are booked in expenses and not included in the cost of inventories contravening mandatory Accounting Standard-2 issued by ICAI.</p>	<p>Suggestion noted.</p>
<p>4 Balimela</p>	
<p>(i) The unit has transferred a sum of Rs.6,60,938/- paid under protest to Tahasildar, Chitrakonda towards lease premium, Ground rent and Cess for the period from 1966-67 to 2001-02 in respect of 1.694 hectares of land to the Land Account during the year 2004-05. The status of execution of lease deed, further liabilities accruing in respect of aforesaid dues for the period from 2002-03 to 2004-05 and refund claim if any to be lodged with Government of Orissa are neither ascertained nor disclosed.</p> <p>(ii) Non-ascertainment of the extent of recoverability / tenability of claims receivable of Rs.37,28,714/- as appearing in the accounts.</p> <p>(iii) Provision of Rs. 1.50 Crores towards Dam maintenance by the unit during the year without any basis.</p> <p>(iv) Non ascertainment of the names of parties to whom sum of Rs. 2,30,315/- is shown as payable under liabilities to others. This amount is rolling down since</p>	<p>The land does not include the value of assets transferred to OHPC on 01.04.96. The Govt. dues towards ground rent and cess for the period under reference are the liabilities of OHPC. Thus, the payments made to the Govt. are appropriate.</p> <p>Claims receivable are considered good by the management.</p> <p>In absence of any bill from Deptt. of Water Resources during the year, a provision is made on average basis which is adjusted on receipt of the bills in the following year. After finalization of the claims of the DOWR, the provisions will be adjusted.</p> <p>The reconciliation is under process.</p>

<p>the financial year 1996-97. The amount may be written off.</p> <p>(v) Provision for Provident Fund Scheme and for insurance and similar staff benefit schemes included in employees liabilities have not been bifurcated as per the requirement of Schedule VI to the Companies Act 1956.</p>	<p>Appropriate accounting will be made in 2006-07.</p>
<p>5. Mukhiguda</p>	
<p>(i) The unit has purchased Fixed Assets (computers) on exchange basis amounting to Rs.20,500/- during the year, the accounting effect of which is not in line with the requirements of AS-10.</p> <p>(ii) Even if the unit has declared some of the fixed assets likes machinery and vehicles to be surplus/obsolete, the consequent effects has not been accounted for in line with the requirement of AS-10.</p> <p>(iii) Inventory includes fixed assets worth of Rs.6,51,293/- towards computer and submersible pumps which contravenes the Accounting Standard-2. The Accounting treatment should be made in accordance with Accounting Standard-10. As a result inventory has been overstated & fixed assets have been understated to the extent of above amount.</p> <p>(iv) The unit has not provided for loss of inventory due to theft and fire that occurred during March 2002 amounting to Rs.2.29 Cr., which resulting over statement of inventory and over statement of the operating results of that year to that extent. The unit has also not recognized any loss on account of</p>	<p>This shall be accounted for in the year 2006-07.</p> <p>The Corporation had engaged M/s MECON to assess the surplus / obsolete materials including fixed assets in the units. They have submitted their report which is under examination. The State Govt. has been moved to approve the procedure of disposal of the surplus/obsolete materials through tendering. Appropriate accounting adjustments will be made after the procedure is approved & disposal is made.</p> <p>This shall be accounted for in 2006-07</p> <p>The book value of the materials in the store was Rs.2.29 Cr. Part of the stock burnt out mostly relate to worn-out & rubber materials. The materials lost due to theft constitute a small value. The case is under police investigation. The loss will be assessed and accounted for after the finalization of the case.</p>

<p>surplus/obsolete items of inventory during the year.</p> <p>(v) As per information the title deeds of the free hold land, the land appurtenants to buildings, dams, tunnels and penstocks are yet to be transferred in the name of the company.</p> <p>(vi) There is unauthorized occupation of 452 Nos. of quarters at Mukhiguda by outsiders. Effective steps should be taken for evacuation of quarters, so that those can be properly utilised by the Unit.</p>	<p>The work is under progress. It will take more time as the issue is cumbersome. The status is disclosed at Para-I of the 'Notes on Accounts'.</p> <p>Necessary steps are being taken to get the unauthorized occupation vacated.</p>
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For B N Mishra & Co
Chartered Accountants
Sd/-
(B N Mishra)
Partner
M. No.083927

For and on behalf of BOARD OF DIRECTORS

Sd/-
(A K TRIPATHY, IAS)
CHAIRMAN-CUM-MANAGING DIRECTOR

BALANCE SHEET AS AT 31ST MARCH' 2006

	Sch. No.	As at 31.3.2006 (Rs.)	As at 31.3.2006 (Rs.)	As at 31.03.2005 (Rs.)	As at 31.03.2005 (Rs.)
I. SOURCES OF FUNDS :					
<i>1. Shareholder's fund</i>					
a. Capital Account	01	3,208,008,840		3,208,008,840	
b. Reserve & surplus	02	<u>2,650,982,017</u>	5,858,990,857	<u>2,892,277,769</u>	6,100,286,609
<i>2. Loan funds :</i>					
a. Secured Loans	03	0		5,309,353	
b. Unsecured Loans	04	<u>20,112,201,604</u>	<u>20,112,201,604</u>	<u>20,536,904,169</u>	<u>20,542,213,522</u>
TOTAL :			25,971,192,461		26,642,500,131
II. APPLICATION OF FUNDS :					
<i>1. Fixed Assets :</i>					
a. Gross Block	05	27,976,165,806		26,767,028,275	
b. Less: Depreciation		<u>8,101,627,946</u>		<u>6,975,117,991</u>	
c. Net Block		19,874,537,860	19,874,537,860	19,791,910,284	19,791,910,284
d. Capital Work-in-Progress	06		1,450,423,215		1,883,513,958
<i>2. Investments:</i>	07		500,000,000		500,000,000
<i>3. Current assets, loans and advances:</i>					
a. Inventories		343,642,763		201,570,162	
b. Sundry debtors		4,490,141,752		4,402,116,923	
c. Cash & bank balances		1,493,112,212		1,760,117,769	
d. Other current assets		40,247,055		106,294,538	
e. Loans and advances		<u>1,006,461,716</u>		<u>738,265,825</u>	
Less :		<u>7,373,605,498</u>		<u>7,208,365,217</u>	
<i>Current liabilities and provisions :</i>					
a. Liabilities	09	2,443,029,184		2,072,045,395	
b. Provisions		<u>878,061,476</u>		<u>700,465,621</u>	
		<u>3,321,090,660</u>		<u>2,772,511,016</u>	
Net current assets			4,052,514,838		4,435,854,201
<i>4. Misc. expenditure to the extent not written off or adjusted</i>					
			93,716,547		31,221,688
TOTAL :			<u>25,971,192,461</u>		<u>26,642,500,131</u>
<i>Notes on accounts</i>	17				
(Schedule 1 to 17 form part of Accounts)					

As per our report of even date
For B.N. Misra & Co
Chartered Accountants

Sd/-
(B.N.Misra)
Partner
M NO. 083927

Sd/-
(P.K.Pradhan)
AGM (F & A)

Sd/-
(P.K.Sahoo)
Company Secretary

Sd/-
(R.R.Das)
Director
(Finance)

Sd/-
(A.K.Tripathy)
Chairman-cum-
Managing Director

P & L ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2006

	Sch. No.	For the year ending 31.3.2006 (Rs.)	For the year ending 31.03.2005 (Rs.)
INCOME :			
Sale of power		2,084,624,391	2,749,437,096
Other income	10	157,382,123	268,243,664
TOTAL:		<u>2,242,006,514</u>	<u>3,017,680,760</u>
EXPENDITURE:			
Repair & Maintenance expenses	11	222,280,712	166,543,097
Operational expenses	12	87,657,143	83,196,609
Employee & other related cost	13	773,833,314	675,429,229
Administrative & General expenses	14	71,795,651	59,256,319
Interest & financial charges	15	189,473,240	343,011,498
Depreciation	05	1,126,620,874	1,108,529,062
Loss on sale of assets		822,692	4,392,324
Less: Expenditure during construction	16	-14,258,246	-88,944,402
TOTAL:		<u>2,458,225,380</u>	<u>2,351,413,735</u>
Net Profit for the year		-216,218,866	666,267,025
Add/(Less):Prior period adjustment		-13,372,522	-25,488,454
Profit for the Year after Prior Period Adjustment		-229,591,388	640,778,571
Less provision for Taxation		0	50,245,050
Provision for FBT		12,143,562	0
Total Tax		12,143,562	50,245,050
Profit after Tax		-241,734,950	590,533,521
Add :Balance Profit brought from last year		2,447,343,912	1,856,810,394
Balance transferred to Balance Sheet		<u>2,205,608,963</u>	<u>2,447,343,912</u>
<i>Notes on accounts</i>	17		
(Schedule 1 to 17 from part of Accounts)			

As per our report of even date
For B.N.Misra & Co
Chartered Accountants

Sd/-
(B.N.Misra)
Partner
M N0. 083927

Sd/-
(P.K.Pradhan)
AGM (F & A)

Sd/-
(P.K.Sahoo)
Company Secretary

Sd/-
(R.R.Das)
Director
(Finance)

Sd/-
(A.K.Tripathy)
Chairman-cum-
Managing Director

SCHEDULE-1 : CAPITAL ACCOUNT

SL. No.	PARTICULARS	As at 31.03.2006 (Rs.)	As at 31.03.2006 (Rs.)
	Authorised Capital: 1,00,00,000 Equity Shares of Rs. 1000/- each	10,000,000,000	10,000,000,000
	Issued, Subscribed and paid-up : 32,08,007 Equity Shares of Rs.1000/- each fully paid-up.	3,208,007,000	3,208,007,000
	Advance against Share Capital	1,840	1,840
	TOTAL :	3,208,008,840	3,208,008,840

SCHEDULE -2 : RESERVE & SURPLUS

1	Capital Reserve	195,373,054	194,933,854
2	Profit & Loss Account	2,205,608,963	2,447,343,915
3	Dam Sharing Reserve (UIHEP)	250,000,000	250,000,000
	TOTAL:	2,650,982,017	2,892,277,769

SCHEDULE-3 : SECURED LOANS

1	Bank Loan (Secured by fixed deposit with banks)	0	5,309,353
	TOTAL :	0	5,309,353

SCHEDULE -4 : UNSECURED LOANS

1	Power Finance Corporation Loan (Guarantee by Govt. of Orissa to P.F.C.)	2,286,161,604	2,520,864,169
2	State Govt. Loan-1 Interest @9.8% p.a	392,000,000	392,000,000
3	State Govt. Loan-2(A)-UIHEP No interest accrues from 1.4.2001. Convertible partly into equity & loan after Govt approval.	8,214,690,000	8,214,690,000
4	State Govt. Loan-2(B)- UIHEP Interest free perpetual loan	1,321,400,000	1,321,400,000
5	State Govt. Loan-3-POTTERU No interest accrues from 1.4.2001.	235,950,000	235,950,000
6	Convertible Bond-1 No interest accrues Convertible to equity after Govt. Approval.	3,831,000,000	3,831,000,000
7	Convertible Bond-2 No interest accrues	3,831,000,000	3,831,000,000
8	State Govt. Loan ARDP	0	190,000,000
	TOTAL:	20,112,201,604	20,536,904,169

SCHEDULE-5 FIXED ASSETS & DEPRECIATION

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Balance as on 01.04.2005 (Rs.)	Addition during the year (Rs.)	Discarded/Sold/ Adj. during the yr. (Rs.)	Total as on 31.3.2006 (Rs.)	Balance as on 01.04.2005 (Rs.)	Add during The year (Rs.)	Sales/Adjustment During the Year (Rs.)	Total as on 31.3.2006 (Rs.)	W.D.V as on 31.03.2005 (Rs.)	W.D.V as on 31.3.2006 (Rs.)
1	Land	830,184,499	7,741,772	0	837,926,271	0	0	0	837,926,271	830,184,499	837,926,271
2	Power House Civil Work	5,723,531,815	37,153,349	0	5,760,685,164	1,697,068,726	187,290,991	0	1,884,359,717	4,026,463,088	3,876,325,446
3	Power House Elect.Mech.	18,896,269,735	1,123,848,082	0	20,020,117,817	4,931,723,126	897,309,359	0	5,829,032,485	13,964,546,609	14,191,085,333
4	Civil Building	1,131,986,614	3,799,154	951,320	1,134,834,448	212,975,992	32,775,930	128,628	245,623,294	919,010,622	889,211,154
5	Vehicles	58,022,972	856,323	0	58,879,295	52,704,925	1,318,470	0	54,023,395	5,318,047	4,855,900
6	Furniture & Fixtures	6,108,133	792,773	0	6,900,905	3,296,548	472,803	0	3,769,351	2,811,584	3,131,554
7	Office Equipments	21,752,827	3,435,259	0	25,188,086	11,109,161	2,501,582	0	13,610,743	10,643,666	11,577,343
8	Misc. Assets	16,772,411	31,390,126	0	48,162,537	8,974,121	1,792,951	0	10,767,072	7,798,290	37,395,465
9	Electrical Installation	75,870,880	1,072,013	0	76,942,893	54,058,654	2,866,398	0	56,925,052	21,812,226	20,017,841
10	Training Centre Equipment	6,528,390	0	0	6,528,390	3,206,739	310,099	0	3,516,838	3,321,651	3,011,552
	Total :	26,767,028,275	1,210,088,151	951,320	27,976,165,806	6,975,117,992	1,126,638,582	128,682	8,101,627,946	19,791,910,283	19,874,537,860
	Previous year balance	26,659,821,344	115,184,117	-7,977,086	26,767,028,275	5,857,598,700	1,108,529,062	8,990,230	6,975,117,991	20,802,222,644	19,791,910,283

SCHEDULE-6 : CAPITAL WORK –IN-PROGRESS

Sl. No.	PARTICULARS	As at 31.03.2006 (Rs.)	As at 31.03.205 (Rs.)
1	Land	336,292	336,292
2	Building	59,267,366	60,851,699
3	Road, Bridge, Culvert & Other Civil Works	17,204,499	39,680,853
4	Water Supply Installation	20,416,250	18,159,750
5	Plant & Machinery (Construction)	388,642,468	447,250,821
6	Hydr. Works, Dams, Tunnels & Pen Stock	45,972,216	45,409,051
7	Substation Equipments	6,554,902	6,554,903
8	Transmission Lines	397,226	397,226
9	Vehicles	663,140	663,140
10	Furniture & Fixture	137,685	137,685
11	Office Equipments	467,554	466,804
12	Electrical Installations	203,689	200,689
13	Miscellaneous assets	19,429	14,326
14	Inventories (Construction Project)	15,484,991	19,511,761
15	Advances for Capital expenses	728,811,449	971,899,052
16	Expenditure during Construction	165,844,059	271,979,907
	TOTAL	1,450,423,215	1,883,513,958

SCHEDULE-7 : INVESTMENTS

1	10 year 8.50% GRIDCO Bonds, 1999 (5000 bonds at face value of Rs. 100000 each)	500,000,000	500,000,000
	TOTAL	500,000,000	500,000,000

SCHEDULE-8 : CURRENT ASSETS, LOANS & ADVANCES

PARTICULARS	As at		As at	
	(Rs. Lakhs)	31.03.2006 Rs.	(Rs. Lakhs)	31.03.2005 Rs.
a. Inventories :				
1. Operation Project		343,642,763		201,570,162
Sub-total :		<u>343,642,763</u>		<u>201,570,162</u>
b. Sundry Debtors :				
1. for Sale of Power (Unsecured)		4,488,454,301		4,400,423,251
(a) Debts exceeding six months:				
Considered good	34,490.11		31,051.96	
(b) Other debts, considered good	10,394.43		12,952.27	
2. for others		1,687,451		1,693,672
Sub-total:		<u>4,490,141,752</u>		<u>4,402,116,923</u>
c. Cash & Bank Balances :				
1. Cash in hand		303,566		2,255,263
2. Staff Imprest		0		9,820
3. Postal orders & stamps		21,487		1,636
4. Balance at Banks		1,492,787,159		1,757,851,049
Sub-total :		<u>1,493,112,212</u>		<u>1,760,117,769</u>
d. Other Current Assets :				
1. Claims Receivable		12,665,706		11,509,131
2. Prepaid expenses		15,560,673		13,590,283
3. Interest accrued but not due on bank deposits		10,095,355		37,080,997
4. Other Misc. Assets		1,906,165		1,830,113
5. Receivable from GRIDCO on Machhkund a/c.		0		42,284,015
6. Interest Receivable on bank deposits		19,156		0
Sub-total :		<u>40,247,055</u>		<u>106,294,538</u>
e. Loans & Advances :				
1. to Staff		18,892,047		25,972,973
2. to Suppliers/ Contractors		29,913,302		46,211,453
3. to Others		14,099,747		20,994,804
4. deposit with Others		18,948,305		16,656,316
5. Advance Income Tax (TDS)		55,097,005		36,414,279
6. Advance Interest to state govt.		300,000,000		300,000,000
7. to OPHC Pension Fund		502,367,564		292,016,000
8. Adv. Income Tax (FBT)		12,143,562		0
9. OHPC Rehabilitation Assistance Trust Fund		10,000		0
10. Advance Income Tax (MAT)		54,990,184		0
Sub-total :		<u>1,006,461,716</u>		<u>738,265,825</u>
Grand Total :		<u><u>7,373,605,498</u></u>		<u><u>7,208,365,217</u></u>

SCHEDULE-9 : CURRENT LIABILITIES & PROVISIONS

PARTICULARS	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
a. Liabilities		
1. Sundry Creditors:		
(i) for supply of material	95,637,650	87,894,243
(ii) for works	108,682,689	1,255,398
(iii) for others	25,774	20,526
Sub-Total :	<u>204,346,113</u>	<u>89,170,167</u>
2. Deposits from others :		
(i) Security deposit from Cont/Supplier	35,135,619	32,052,497
(ii) EMD from Cont/Supplier	5,300,445	4,365,530
(iii) Security deposit from employees	625,504	587,750
(iv) other security deposit	2,848,334	3,459,611
(v) Retention Money/Withheld a/c	47,525,106	42,942,316
(vi) Deposit from Water Resources	3,013,000	3,013,000
Sub-Total :	<u>94,448,008</u>	<u>86,420,704</u>
3. Employees Liabilities	1,492,921,731	1,220,506,770
4. Liabilities to others	212,668,966	146,815,160
5. Liabilities towards interest on Govt. Loan	0	94,869,863
6. Int. accrued but not due on State Govt. Loan	384,160,000	345,744,000
7. Int. accrued but not due on PFC Loan	32,671,556	51,126,679
8. Machhakund Joint Project	58,189	-146,393
9. OHPC PF Trust	-2,524,118	-4,745,569
10. Payable to APGENCO on Machhknd a/c	24,278,739	42,284,015
Sub-Total :	<u>2,144,235,063</u>	<u>1,896,454,525</u>
Total of (a) :	<u>2,443,029,184</u>	<u>2,072,045,395</u>
b. Provisions		
1. for arrear salary	28,715,425	88,425
2. for bonus	90,000	110,000
3. for dam maintenance	778,219,650	698,187,457
4. for others	3,902,655	2,079,739
5. for fringe benefit tax	12,143,562	0
6. for income tax	54,990,184	0
Total of (b) :	<u>878,061,476</u>	<u>700,465,621</u>
GRAND TOTAL (a+b) :	<u>3,321,090,660</u>	<u>2,772,511,016</u>

SCHEDULE- 10 : OTHER INCOME

Sl. No.	PARTICULARS	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
1	Sale of tender paper	1,839,811	1,392,074
2	House rent recovery	1,763,525	1,063,146
3	Vehicle charges recovery	433,626	714,842
4	Electricity charges recovery – Employees	3,854,184	4,659,096
5	Electricity charges recovery – Contractors	4,196,633	2,948,266
6	Guest house charges recovery	154,199	80,419
7	Sale of scrap	84,100	231,941
8	Other miscellaneous receipt	1,928,651	1,365,701
9	Cash discount (PFC interest)	8,467,124	13,112,608
10	Interest on Employees advances	5,601,537	8,223,630
11	Interest on Others	98,419,880	63,972,621
12	Interest on Debenture & Bond (8.50% GRIDCO Bond)	30,506,849	170,102,740
13	Insurance Claim Receipts	132,004	376,580
	TOTAL :	157,382,123	268,243,664

SCHEDULE- 11 : REPAIR & MAINTENANCE EXPENSES

1	R & M to Plant and Machinery	77,403,375	32,318,584
2	R & M to Building	19,225,922	15,843,622
3	R & M to Civil Works	24,069,650	13,602,356
4	R & M to Hydraulic Works	6,224,316	11,655,568
5	R & M to Line Cables Networks	1,876,712	1,694,241
6	R & M to Vehicles	1,615,274	2,608,448
7	R & M to Furniture & Fixture	24,396	13,811
8	R & M to Office Equipments	621,165	534,821
9	R & M to Electrical Installation	1,903,968	1,190,383
10	R & M of Dam	89,315,933	87,081,262
	TOTAL :	222,280,712	166,543,097

SCHEDULE -12 OPERATION EXPENSES

1.	Power and fuel	64,968,717	63,509,450
2.	Insurance charges (Power House & Dam)	11,234,715	11,247,949
3.	Oil, Lubricant & Consumables	6,415,648	4,465,721
4.	Hire charges of vehicles/machineries	4,711,516	3,614,395
5.	Other Operation expenses	326,547	359,094
	TOTAL :	87,657,143	83,196,609

SCHEDULE-13 :EMPLOYEE & OTHER RELATED COST

1	Salary & Allowances	169,132,468	154,640,703
2	Wages & Allowances	190,325,728	185,912,737
3	Over time	2,208,894	2,114,124
4	Bonus	386,499	131,094
5	Contributions	18,042,504	18,298,598
6	Others	16,874,274	8,711,447
7	Terminal benefits	348,244,870	282,947,343
8	Employees welfare expenses	28,618,077	22,673,182
	TOTAL :	773,833,314	675,429,229

SCHEDULE -14 : ADMINISTRATIVE & GENERAL EXPENSES

Sl. No.	PARTICULARS	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
1	Rent, rates and taxes	3,204,619	3,561,312
2	Fees & Subscriptions	614,131	939,131
3	Insurance charges	487,113	367,588
4	Communication expenses	2,889,228	2,799,017
5	Traveling & conveyance expenses	13,535,493	10,919,285
6	Printing & stationery	2,271,650	1,688,847
7	Bank charges	1,220,173	123,547
8	Electricity & water charges	9,773,064	7,998,730
9	Legal expenses	3,350,395	1,943,989
10	Professional & consultancy charges	4,764,060	2,523,445
11	Audit fees & expenses	839,773	621,278
12	Advertisement & Publicity	3,246,416	3,339,129
13	Training, Seminar & Conference	1,541,860	1,088,151
14	Office upkeep & Maintenance	717,039	669,285
15	Watch & ward charges	14,025,703	13,880,211
16	Repair & Maintenance others	264,638	372,876
17	Recruitment expenses	5,000	39,278
18	Meeting expenses	461,824	284,043
19	Transit house expenses	163,589	304,229
20	Electrical Accessories	155,461	39,476
21	Other misc expenses	8,264,422	5,643,474
22	Service Charges on sale of Scrap	0	110,000
	TOTAL :	71,795,651	59,256,319

SCHEDULE - 15 : INTEREST & FINANCIAL CHARGES

1	Interest on Govt. Loan	38,416,000	64,066,000
2	Interest on Bank Loan	172,227	0
3	Interest on PFC Loan	121,057,808	227,020,102
4	Guarantee Commission	27,452,000	30,752,000
5	Interest on others	2,375,205	21,173,396
	TOTAL :	189,473,240	343,011,498

SCHEDULE – 16: EXPENDITURE DURING CONSTRUCTION

Sl. No.	PARTICULARS	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
1	Repair & Maintenance expenses	312,192	598,328
2	Operational Expenses	227,697	266,294
3	Employees & other related expenses :		
	Salary & Allowances	3,299,961	7,445,191
	Contributions	80,950	105,118
	Over Time	0	57,522
	Others	0	35,297
	Employees welfare expenses	24,916	29,206
	Sub-total :	<u>3,405,827</u>	<u>7,672,334</u>
4	Administrative & General expenses :		
	Rent, rates and taxes	28,233	38,286
	Insurance charges	44,317	41,245
	Communication expenses	28,691	24,307
	Traveling & conveyance expenses	282,878	706,615
	Printing & stationery	17,474	15,166
	Bank charges	837,261	6,299
	Electricity & water charges	371,074	417,833
	Legal expenses	0	500
	Hire charges of vehicle	131,443	110,440
	Oil & Lubricants (POL)	51,741	38,199
	Professional & consultancy charges	500	498,938
	Advertisement & Publicity	1,979	17,600
	Training, Seminar & Conference	344,612	24,505
	Office upkeep & Maintenance	15,410	10,287
	Watch & ward charges	554,025	894,248
	Meeting expenses	8,780	13,873
	Transit house expenses	0	14,758
	Other misc expenses	55,975	57,310
	Sub-total :	<u>2,774,393</u>	<u>2,930,409</u>
	Interest & financial charges :		
5	Interest on Govt Loan	0	25,650,000
	Interest on PFC Loan	7,271,119	42,209,586
	Guarantee Commission	6,412,000	10,812,000
	Sub-total :	<u>13,683,119</u>	<u>78,671,586</u>
	TOTAL	<u>20,403,228</u>	<u>90,138,951</u>
6	Receipts & recoveries on capital account	6,144,982	1,194,549
7	Net Exp. During Construction (Deducted in P/L Account)	14,258,246	88,944,402
8	Add: (1) Opening Balance of Exp. During Consn.	271,979,907	183,035,504
9	TOTAL	<u>286,238,153</u>	<u>271,979,907</u>
	Less capitalized during the year	120,394,094	0
	GRAND TOTAL : (Transferred to Sch. 6)	<u><u>165,844,059</u></u>	<u><u>271,979,907</u></u>

SCHEDULE-17**Accounting policies and Notes on Accounts forming a part of the accounts:****A. SIGNIFICANT ACCOUNTING POLICIES :****1. BASIS OF ACCOUNTING:**

- 1.1 The financial statements have been prepared under the historical cost convention method in accordance with the generally accepted accounting principles, the provisions of Companies Act, 1956 and the mandatory accounting standards.
- 1.2 The Company follows Mercantile System of Accounting and recognizes significant items of income and expenditure on accrual basis except those with significant uncertainties.
- 1.3 The liabilities, which could not be ascertained at the time of transfer of Assets & Liabilities by Government of Orissa on 01.04.1996 are accounted for as and when settled.

2. FIXED ASSETS AND CAPITAL WORK-IN-PROGRESS :

- 2.1 Fixed assets are stated at historical cost less depreciation. Cost of acquisition is inclusive of freight, duties and taxes wherever applicable. Fixed assets, which were transferred by Government of Orissa on 01.04.1996 under transfer scheme, are stated at transfer price.
- 2.2 Financing cost directly identifiable to a particular asset is added to the cost of such asset. Financing cost other than the above and direct revenue expenditure incurred during construction period on new projects is treated as expenditure during construction and is allocated to relevant fixed assets at the time of capitalization.
- 2.3 The grants-in-aid received against capital expenditure of projects are adjusted at the time of capitalization of assets on completion of respective projects.

3. INVESTMENTS:

Investments are stated at cost and are on 'held to maturity' basis.

4. INVENTORIES:

Inventories of stores, spares and consumables are valued on the basis of transfer price in respect of inventories transferred from Government and at cost in case of inventories procured thereafter.

5. FOREIGN EXCHANGE TRANSACTIONS:

Transactions involving foreign currency are settled and accounted for at the exchange rates prevailing on the date of the transactions.

6. RECOGNITION OF REVENUE:

- 6.1 Revenue is recognized on the basis of the bills raised on GRIDCO in accordance with Orissa Electricity Regulatory Commission's tariff order.
- 6.2 Interest on Gridco bond @ 8.5 % (@ 15% upto 31.3.01) is received half yearly & accounted for as other income on cash basis.
- 6.3 Interest on delayed payment of energy bills by GRIDCO is accounted for on the basis of actual realization.
- 6.4 The value of waste and scrap is accounted for on actual realization basis.
- 6.5 Receipts of insurance claims and interest on house building loan to employees are accounted for on cash basis.
- 6.6 The ownership of the dam and appurtenant works of Upper Indravati Hydro Electric Project remains with OHPC. Pending acceptance, share of the Department of Water Resources, Govt. of Orissa towards 50% Operation and Maintenance cost of the dam has not been recognized as revenue.

7. DEPRECIATION:

- 7.1 Upto financial Year 2002-03, the Corporation was providing depreciation at the rates prescribed by the Electricity (Supply) Act, 1948. However, consequent upon the enactment of the Electricity Act, 2003 and repeal of the Electricity (Supply) Act, 1948, depreciation is charged on straight line method as per the rates prescribed under schedule XIV of the Companies Act 1956.
- 7.2 The Companies Act, 1956 does not provide any specific rate of depreciation for Dam & associated civil structures. In respect of civil structures, only two rates of depreciation have been prescribed i.e 1.63% for the non factory buildings and 3.34% for the factory buildings. Considering the nature, propensity of wear and tear, the depreciation rate specified for the factory buildings is considered appropriate for the dam. Accordingly, depreciation @ 3.34% has been taken for the block of assets of the dam of UIHEP.
- 7.3 Depreciation is provided on prorata basis in the year in which the assets become available for use.
- 7.4 Assets costing Rs. 5000/- or less individually are depreciated fully in the year in which they are put to use.

8. RETIREMENT BENEFITS:

- 8.1 Liability towards Pension, and Leave Encashment as at the end of the year are provided on the basis of actuarial valuation.
- 8.2 For meeting the service gratuity liability, the Corporation has taken a group gratuity insurance policy with LIC of India.
- 8.3. The pension and service gratuity liabilities of ex-Hirakud Dam Project employees are accounted for on cash basis.

9. ALLOCATION OF CORPORATE OFFICE INCOME:

Corporate office income over expenditure is allocated among the five generating units on the basis of sales ratio.

10. BORROWING COST:

Borrowing costs that are attributable to the acquisition, construction / renovation, modernization and uprating of fixed assets upto the date of commercial operation are capitalized as part of cost of such assets. Other borrowing costs are recognized as expenses in the period in which they are incurred.

B. NOTES ON ACCOUNTS:

1. Land consists of those transferred from the erstwhile OSEB / State Govt. to the Corporation with effect from 1st April 1996 and procurement of Industrial land from IDCO for construction of training centre. In case of UIHEP, land consists of transfer value of land and reservoir from State Govt. as on 01.04.1996 and subsequent additions at cost after 01.04.1996 to the date of Balance Sheet. In case of Balimela HEP, leasehold lands are still in the name of OSEB. The title deeds of all the lands are yet to be registered in favour of the Company. The Company is in the process of identifying leasehold and freehold land separately.

2.1 The fixed assets registers are maintained on the basis of transfer price of the assets from State Govt. and at cost in respect of the assets procured after the date of transfer.

2.2 The value of fixed assets does not include the value of building and equipment gifted by DFID for the OHPC Training Centre

3.1 The value of fixed assets includes cost of machinery & vehicles declared surplus / obsolete for which necessary verification and fixing of upset price is in progress. Necessary accounting treatment will be made in the subsequent period after final disposal of the same.

3.2 One 132/66 KV, 12.5 MVA transformer in Burla, one SF6220 KV circuit breaker in Rengali which were burnt during 2001-02 and on which no depreciation has been provided shall be written off after determination of loss and possible recoveries.

3.3 Inventory of stores and spares of UIHEP includes inventory with book value of Rs.2.29 Crores, which are not partly available due to theft and fire occurred during March' 2002. The effect of such loss will be taken into account after the determination of clear quantification of the amount of loss and possible recoveries thereon as per 'AS-4'.

4.1 No interest on the Govt. loans pertaining to UIHEP, Potteru Small HEP and on the bonds issued to the State Govt. are provided in the accounts as per decision of Govt. issued vide DoE Notification dated 29.01.2003.

4.2(a) Premium of Rs.36367241.00 paid on 28.4.05 for re-structuring of long term PFC loan of Rs.46.40 Crore in respect of UIHEP was treated as deferred revenue expenditure and to be written off over a period of 3 years. The proportionate share of the said premium i.e Rs.11225687/- plus

- Rs.8602652/- being proportionate share of the premium paid on 1.4.04 in respect of PFC loan for UIHEP is charged to Profit & Loss Account during the year under the head interest & financial charges.
- (b) A sum of Rs.3886025/- (being the 3rd year) is charged to Profit & Loss Account during the year under the head interest & financial charges against the premium of Rs.17487109/- paid in March, 2003 for re-structuring of long term PFC loan of Rs.34.48 Crore in respect of RM & U Unit 1 & 2 of HPS, Burla. Further, a sum of Rs.2656677/- is paid on 9.6.05 for re-structuring of long term PFC loan of Rs.23.60 Crore for RM&U of Unit 3&4 which is capitalised during the year.
- (c) UIHEP, Mukhiguda has undertaken a special repair of roter pole and spent Rs.74762975/-. This amount is treated as deferred revenue expenditure to be written off over a period of 3 years. One third of the said amount i.e Rs.24920992/- is charged to Profit & Loss Account under the head R & M to Plant & Machinery during 2005-06.
5. An amount of Rs. 25.00 crores received from DOWR in 1998-99 out of Rs. 100.00 crores towards a portion of 50% dam cost has been shown under Dam Sharing Reserve under Reserve and Surplus.
6. Unit 3 & 4, HPS, Burla which were under RM&U was provisionally taken over we.f 30.12.2005 and started commercial operation. Accordingly the expenditure incurred on the RM&U till 31.12.2005 amounting to Rs. 111.75 Crores have been capitalized provisionally.
7. The Govt. of India, MoF, Deptt. of Expenditure had released a grant of Rs. 19 Crores for RM & U of unit 3 & 4 Burla under APDP scheme to GoO. The GoO has released the said amount to OHPC as investment in share capital. As the said amount was to be passed on to OHPC on the same form as sanctioned by GoI, the State Govt. has been moved to treat Rs.19 Crore as grant instead of share capital. Pending receipt of confirmation of the State Govt, the amount has been shown in the Balance Sheet as capital reserve.
8. The sale of energy compared to the design energy for sale during the year is as under :

Power stations	Actual sale of energy(A)	Design energy(B) for sale (IN MU)	Secondary energy(A-B)
Old units	3162.1561	3676.860	NIL
UIHEP	1751.2280	1942.380	NIL

As per the OERC tariff order dt 23.3.06, the energy sold to Gridco from old power stations such as Burla, Chiplima, Balimela, Rengali, Kolab is billed @ Rs.0.5296 , 0.1950 ,0.3142 , 0.1372 respectively per unit and for UIHEP, @ Rs.0.4638 per unit plus capacity charge of Rs.35.36 Crores at 85% machine availability.

In addition to this, HPS, Burla has sold 16.607272 M.U to MPSEB @ **Rs.0.5296** per unit during the year as per the decision of the meeting of high level Committee held on 24.12.2004 under the Chairmanship of the Chief Secretary, GoO in pursuance of the order of the Hon'ble High Court of Madhyapradesh and the existing inter- state agreement between the Governments of Orissa and MP.

9. During the year SOUTHCO has claimed Rs.55288837/- & Rs.7180387/- for UIHEP & UKHEP respectively towards electricity charges for power consumed at both these stations. The above claims have been adjusted during the year against the outstanding dues of GRIDCO.
10. Pending acceptance of the claims by DOWR, 50% of the dam maintenance cost of UIHEP amounting to Rs.25.20 crs (Rs.6.97 crs for 2001-02; Rs.5.17 crs for 2002-03; Rs.4.14 crs for 2003-04; Rs 3.98 crs for 2004-05, Rs.4.94 crs for 2005-06) has not been recognized as revenue.
11. Details of 'Prior Period Adjustments' (Net).

Head of A/C	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
Repair & Maintenance	2249750	5405007
Operational expenses	307968	4595483
Employee Cost	(-)106402	866981
Admn. & General expenses	2960833	1496172
Depreciation	17708	13124811
Sale of Power	7942665	-
Total	13372522	25488454

12. Audit fees & expenses of the company for the year comprises of:

(Rs.)		<u>Current year</u> Rs.	<u>Previous year</u> Rs.
(a) Statutory Audit fees	-	159941	157586
(b) Other Audit Fees	-	364400	230090
(c) Audit expenses (for a & b)	-	333432	233602
Total	-	857773	621278

13. Expenses in respect of employees who are in receipt of remuneration of not less than **Rs.2400000/-** per annum and employed throughout the year or **Rs.200000/-** per month and employed for part of the year - Nil.

14. Employees cost includes Salary and Allowances of (previous year **Rs.810300/-**) paid to the whole time Directors as detailed below:

(Rs.)	
Salaries & Allowances	--- 715248
Rent for residential accommodation	--- 29600
Total	--- 744848

In addition, sitting fees paid to non-functional directors during the year is **Rs.75200/-** (**Rs. 89150/-** for previous year.)

15. Foreign currency transactions:

Particulars	2005-06 (Rs.)	2004-05 (Rs.)
Expenditure incurred in foreign currency on cash basis being payment made to consultants.	10067099	NIL
Value of Imports calculated on CIF basis being components, spare parts and construction materials through LC.	301956412	186005525
Traveling expenses	98414	NIL

16. (a) Contingent liabilities:

(Rs. in crores)

	As at 31.03.2006	As at 31.03.2005
(a) Estimated amount of contracts to be executed on capital account (net of advances and LCs opened).		
(i) RM&U of Unit 3&4, Burla	-	12.44
(ii) Balimela Extn. Project (7&8) unit	26.00	2.54
(b) Outstanding letters of credits Balimela Extn. Project (7&8) unit	77.00	122.90
(c) Claims against the Company not acknowledged as debt:		
(i) Stamp duty on bonds of Rs.766.20 crores issued to GoO on account of up- valuation of assets kept in abeyance till 2005-06.	5.75	5.75
(ii) Claims of Gridco / Southco on UKHEP.	15.44	15.44
(iii) EPF & Sales Tax liability of UIHEP, Khatiguda	0.31	-
(iv) E D of UKHEP from Nov.,99 to Oct., 02.	0.72	-

(b) OHPC lodged a claim of Rs. 135.87 Crore on the contractor M/s Trafalgar House Construction (T) Satyam Sankaranarayan Joint Venture and simultaneously, the contractor also lodged claim of Rs. 65.57 Crores on OHPC. Since the arbitration is in process, no provision is made for the above disputed amount.

- (c) Electricity Duty(E.D) of Rs. 33.68 lacs for the period from 4/96 to 5/01 will be paid to Govt. of Orissa after ascertaining the status of payment of ED by GRIDCO & Southco.
17. The Tax Recovery Officer (TRO), Sambalpur had raised a demand of Rs.4.48 crs towards TDS in respect of supply and erection of plant & machinery of RM&U of Unit 1&2, Burla which was disputed by OHPC. Pending settlement of the dispute now in appeal before Hon'ble High Court of Orissa, Cuttack the above amount has been deposited with Income Tax Authorities. Rs.3301923/- was wrongly assessed twice by the ITO Sambalpur which was included in the above demand amount. Now as per the order of CIT (A) Sambalpur dt.8.11.05 & 4.4.06, the ITO, Sambalpur rectified the mistake and issued refund order for Rs.59.33 lacs.
18. Liabilities towards Pension and Leave Encashment have been provided in the accounts based on the actuarial valuation as under:

Sl. No.	Particulars	For 2005-06 (Rs.)	As at 31.03.2006 (Rs.)
1	Pension	288718125	1265189986
2	Leave Encashment	17190203	119861000

As against the aforesaid liabilities towards Pension, an amount of **Rs.502367564/-** has been paid to the OHPC Pension Fund till 31.03.2006.

As regards service gratuity liability, the Corporation has taken a group gratuity insurance policy with LIC of India with effect from 1.1.2005 for which the annual contributions amounting **Rs.12418118/-** was paid for the period 01.01.2006 to 31.12.2006. Proportionate contribution for the year together with actual gratuity paid during the period 01.04.2005 to 31.12.2005 has been charged to the Profit and Loss account. Besides, against the gratuity liability amounting to **Rs.12,94,05,126/-** as on 31.03.2004, **Rs.2,59,00,000/-** being the 2nd installment has been paid during the year.

Pension liability in respect of deputationists for their service in OHPC has not been ascertained. The payments that may be made by OHPC on receipt of claims for the deputationists shall be accounted for on cash basis.

19. Other income includes:-
- Rs.30506849/-** (Including TDS of **Rs. 6845737/-**) received from Gridco towards interest on Gridco Power Bonds for the period from 1.4.05 to 20.12.05.
 - Interest of **Rs.92361777/-** (including TDS of **Rs.4235833/-**) on short term deposits with the Banks.
 - Rs.84100/-** (previous year **Rs.231941/-**) towards value of scrap realized .
- 20.1. Sundry Debtors of **Rs.448.85** Crs. as on 31.03.2006 for sale of power consists of debts outstanding:
- For a period of exceeding six months - Rs. 344.90 crs.
 - For a period of less than six months - Rs. 103.95 crs.

- 20.2 The above sundry debtors of Rs.448.85 crs as on 31.03.2006 includes the debtors of Rs.270.78 crs as on 31.03.2001 which shall be securitised as per the DoE Notification dtd. 29.01.2003. The balance receivables from Gridco and MPSEB amounting to Rs.177.86 crs & Rs.0.21 crs. respectively are considered good.
21. There are no outstanding dues of any SSI Undertaking exceeding Rs.1.00 lakh for more than 30 days.
22. Figures shown under Sundry Creditors and Advances are subject to confirmation.
23. All loans and advances are considered good for which Company hold no security other than their personal security. However, the advances paid to the Power Machines of Russia (for Balimela 7th & 8th Unit), appearing in the Capital Work in Progress Account are supported by Bank Guarantee.
24. The details of installed capacity, generation and net sale of power during the year are as under:

Sl. No.	Power Stations	Installed Capacity (MW)	Gross Generation (MU.)	Sale of Power (MU.)	Auxiliary consumption (MU.)	Transformation loss & internal consumption
1.	Hirakud HEP	347.50	908.738	875.349	4.580	28.809
2.	Rengali HEP	250.00	679.046	666.733	1.521	10.792
3.	Upper Kolab HEP	320.00	624.221	611.324	3.472	9.425
4.	Balimela HEP	360.00	1055.220	1023.970	14.950	16.300
5.	UIHEP Mukhiguda	600.00	1762.989	1751.228	10.928	0.833
	Total :	1877.50	5030.214	4928.604	35.451	66.159

25. Power Station wise financial results before Tax. (Rs. in Crores)

Power Stations	Sales	Other Income	Share of HO income over exp.	Total Income	Total Exp.	Net Profit
Hirakud HEP	41.53	0.28	1.22	43.03	54.86	-11.83
Rengali HEP	20.99	0.43	0.56	21.98	26.41	-4.43
Upper Kolab HEP	8.39	0.16	0.22	8.77	23.55	-14.78
Balimela HEP	19.97	0.81	0.53	21.31	39.46	-18.15
UIHEP Mukhiguda	117.59	0.74	3.10	121.43	95.20	26.23
Total 2005-06	208.46	2.42	5.63	216.51	239.48	-22.96
Total 2004-05	274.94	2.02	18.39	295.35	231.27	64.08

26. The share of Government of Orissa in Machhkund joint hydro electric Project was transferred to OHPC vide Department of Energy, Govt. of Orissa Notification No.6052, dt.29.03.97 with effect from 01.04.1997. The erstwhile OSEB (now GRIDCO) and APSEB (now APGENCO) were the beneficiaries of this project. The settlement of the disputes between GRIDCO and APGENCO prior to 1.4.1997 are under process. Pending settlement of the disputes, OHPC has been raising provisional bills on GRIDCO on the basis of the prevailing agreement between Govt. of Orissa and Govt. of Andhra Pradesh and current tariff orders of OERC.

The APGENCO has raised bills on OHPC towards O&M and energy bills as under:

<u>Year</u>	<u>Total (in Rs.)</u>
1996-97	2,67,75,848
1997-98	2,37,33,312
1998-99	2,43,92,031
1999-00	3,12,21,576
2000-01	2,96,23,149
2001-02	3,11,76,461
2002-03	3,57,58,605
2003-04	3,48,64,071
2004-05	4,82,59,896
2005-06	3,81,20,138 (Provisional)
TOTAL	32,39,25,087

Against above claim, OHPC has received **Rs.323933537/-** from GRIDCO and remitted Rs.299654798/- to APGENCO by 31st March 2006. The balance amount of **Rs.24270289/-** as on 31.03.2006 is shown as payable to APGENCO under the head 'liability to others' in Schedule - 9.

Pending settlement of old disputes, quantification of assets and liabilities transferred to OHPC, the above receipts and payments are not shown in the profit and loss account.

27. The Company is exclusively engaged in the business of generation of hydro power in the state of Orissa, which is considered to constitute one single segment as per 'AS-17'.
28. As per the income tax return filed, the Company has a carry forward-unabsorbed depreciation of **Rs.634.89** Crores till the assessment year 2005-06. According to the State Govt. Notification dated 29.01.2003, the tariff of OHPC is based on reimbursement of costs and there is no return on equity on the transferred assets in respect of the old power stations. As such, there is no certainty

- that the taxable income will be available in the next few years. In view of this, no deferred tax liability under AS-22 has been computed and shown in the Profit and Loss account for the year 2004-05.
29. The assets are carried in the books at historical cost which are lower than the recoverable amount and consequently there is no impairment of assets under AS-28.
30. Previous year figures have been regrouped or rearranged wherever necessary to make them comparable.
31. Figures have been rounded off to the nearest rupee.

As per our report of even date
For B N Misra & Co.
Chartered Accountants

Sd/-
(B N Misra)
Partner
M No.083927

Sd/-
(P K Pradhan)
AGM (F&A)

Sd/-
(P K Sahoo)
Company Secretary

Sd/-
(R R Das)
Director
(Finance)

Sd/-
(A K Tripathy)
Chairman- cum-
Managing Director



V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

			4	0	0	.	0	1
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(ITC Code)

Product Description

G	E	N	E	R	A	T	I	O	N		O	F		H	Y	D	R	O			
P	O	W	E	R																	

Item Code No.

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(ITC Code)

Product Description

C	O	N	S	T	R	U	C	T	I	O	N		O	F		H	Y	D	R	O		
P	O	W	E	R		P	R	O	J	E	C	T	S									

Item Code No.

			N	I	L			
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(ITC Code)

Product Description

Note: For ITC Code of products, please refer to the publication India Trade Classification based on harmonized commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistic, Calcutta-700001.

As per our report of even date
For B N Misra & Co.
Chartered Accountants

Sd/-
(B. N Misra)
 Partner
 M No. 083927

Sd/-
(P. K. Pradhan)
 AGM (F&A)

Sd/-
(P. K. Sahoo)
 Company Secretary

Sd/-
(R. R. Das)
 Director (Finance)

Sd/-
(A K Tripathy)
 Chairman-cum-
 Managing Director

CASH FLOW STATEMENT

PARTICULARS	As at 31.3.2006 Rs.	As at 31.03.2005 Rs.
1 Cash flows from operating activities :		
Net profit before taxation and extraordinary item	-229,591,388	640,778,571
Adjustment for :		
Depreciation	1,126,620,874	1,108,529,062
Loss on sale of assets	822,692	4,392,324
Provision for Income tax (FBT).	-12,143,562	-50,245,050
Interest Income	-142,995,390	-255,411,599
Interest expenses	189,473,240	343,011,498
Operating profit before working capital changes	932,186,466	1,791,054,805
Increase In Inventories	-142,072,600	-2,539,131
Increase In sundry debtors	-88,024,830	-124,447,259
Decrease In other trade receivables	39,061,841	36,722,355
Increase In loans & advances	-268,195,891	-153,003,508
Increase in sundry creditor	115,175,946	-15,169,766
Increase in other payable	508,312,683	258,537,861
Cash generated from operations	1,096,443,616	1,791,155,359
Cash flow before extraordinary item	1,096,443,616	1,791,155,359
Premium for debt restructuring	-62,494,859	-17,620,604
Net cash from operating activities	1,033,948,757	1,773,534,755
2 Cash flows from investing activities :		
Purchase of fixed assets	-776,980,402	-460,074,125
Interest received	169,981,032	282,717,162
<i>Net cash from investing activities</i>	<u>-606,999,370</u>	-177,356,963
3 Cash flows from financing activities :		
Grant from PFC for unit 5 & 6	439,200	3,988,000
Repayment of long term borrowings	-424,702,565	-231,645,632
Repayment of short term borrowings	-5,309,353	0
Interest paid	-264,382,226	-302,360,252
Net cash used in financing activities	-693,954,944	-530,017,884
4 Net Increase In cash and cash equivalents (1+2+3)	-267,005,556	1,066,159,908
5 Cash and cash equivalent at beginning of period	1,760,117,769	693,957,861
6 Cash and cash equivalent at end of period	<u>1,493,112,212</u>	<u>1,760,117,769</u>

As per our report of even date
For B.N. Misra & Co
Chartered Accountants

Sd/-
(B. N Misra)
Partner
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Sd/-
(P. K. Pradhan)
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