

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

1.0 General

The financial statements prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India and the relevant provision of the Companies Act, 1956 including accounting standards notified thereunder.

2.0 Fixed Assets

2.1 The fixed assets are shown at historical cost.

3.0 Inventories

3.1 Inventories, other than scrap and Fuel, are valued at cost on weighted average basis.

3.2 Stock of Fuel is valued at cost on first in first out basis.

4.0 Profit & Loss Account

4.1 Income Recognition

4.1.1 Sale of Power & Steam is accounted for, based on the provisions of Power and Steam Purchase Agreement entered into with Steel Authority of India Limited.

4.2 Expenditure

4.2.1 Depreciation, in respect of assets, is charged on straight-line method as per rates prescribed under the erstwhile Electricity (Supply) Act, 1948 as notified from time to time in accordance with the provisions of The Electricity Act, 2003. Where rate has not been laid down under the aforesaid Act, depreciation is provided on Straight Line method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions has been provided on pro-rata basis (ignoring 15 days for a month) and additions of assets whose individual value is not more than Rs.5, 000/- have been fully depreciated.

4.2.2 Deferred taxation is calculated at current statutory income tax rate and is recognized as timing difference between taxable income and accounting income arising in a period and capable of being reversed in one or more subsequent periods.

4.3 Retirement Benefits

The liabilities for retirement benefits of employees towards gratuity, accrued leave, post retirement medical and settlement benefits are accounted for on accrual basis based on the actuarial valuation at the year end except for those on deputation.

B. Notes on Accounts

1.0 As per the Deeds of Transfer and Assignment of Business entered into with SAIL, Company has taken over the entire business and undertaking of SAIL's Captive Power Plants (CPP) & Thermal Power Plant (TPP) located at Bokaro for a total consideration of Rs. 560 crores w.e.f. 18/09/2001 as compiled and agreed by both the companies/parties. Sale of Power and Steam represents supplies to SAIL during the year under review.

2.0 Land measuring 382 acres (approx) at Bokaro Jharkhand State is on 33 years lease from SAIL renewable at a non-refundable premium of Rs. 1/-.

3.0 The company has incurred Rs.31,148.54 lakhs (Prev. Year Rs. 20,872.56 lakhs) being capital work in progress and Advance against Capital goods (Schedule 1.4B), this amount has not been included while computing block of fixed assets (Sch. 1.4A to BALANCE SHEET) and shown separately as capital work in progress under the head fixed assets.

4.0 Segment Reporting

a) The company's Principal Business is generation of Power and sale of bulk power to SAIL. Hence there is no other business segment.

b) The company has one power station located within the country and therefore geographical segments are not applicable.

5.0 Deferred Taxation

5.1 Provision for tax comprises of current tax liability and deferred tax liability as per Accounting Standard-22 issued by the ICAI.

5.2 Deferred tax is recognized, subject to the consideration of prudence, on the timing differences. Deferred tax assets are recognized on unabsorbed depreciation based on virtual certainty and convincing evidence about future taxable income. Others are recognized on reasonable certainty.

6.0 Contingent Liabilities

Against Capital Commitment (net of Advances) Rs. 6844.64 lakhs (PY-Rs.10788.16 lakhs)

Others - NIL (PY - NIL)

7.0 Miscellaneous

1. Expenses relating to operation of Power Plant incurred by SAIL/BSL are accounted for on the basis of advice received from M/s. Steel Authority of India Limited. Wage revision is due with effect from 01.01.2007 for which necessary provision has been made in the accounts in line with SAIL.

2. Procurement of Coal / Oil by BPSCL

Particulars of Consumption	2008-09		2007-08	
	Qty	Amount (Rs. in lakhs)	Qty.	Amount (Rs. in lakhs)
Coal	1795613.00 T	29701.97	1980956.27 T	28659.29
Furnace Oil	7287.00 KL	2175.87	9403.20 KL	1848.56

3. Term Deposit under schedule no. 1.7 includes amount in respect of SESBF Rs. 79.01 lakhs (Prev. year 63.13 lakhs) and Gratuity Fund & Leave Salary Rs. 1375.00 lakhs (Prev. year 1200.00 lakhs)(amount received from SAIL) and not available for use by the company. Steps are being taken to change the 'nomenclature' of the Term Deposit Accounts by incorporating therein the nature of the corresponding employee related liability.
4. The company has interest bearing working capital loan from Steel Authority of India Limited in the form of Stores & Spares carrying interest @ 6.75% p.a.
5. In the opinion of the Management, the realizable value of the current assets, loan and advances shall not be less than the values at which these are stated in the account.
6. As per Clause 9 of the Accounting Standard 18 , the related party transaction disclosure is not required.
7. As per requirement of Section 22 of The Micro, Small, Medium Enterprises Development Act 2006 the company has normally made payments in due time and there are no claims from parties for the interest on overdue payments during the financial year 2008-09. There are no parties whose outstanding are for more than 45 days.
8. Licensed capacity, installed capacity, generation :
 - a) Licensed capacity : Not applicable
 - b) Installed capacity : 302 MW of power per hour
 - c) Generation of Power : 1414.65 MU
(PY 1414.30 MU)
 - d) Sales : 1103.88 MU
(PY 1120.54 MU)
9. Expenditure incurred in foreign currency : Rs. NIL Lakhs (P.Y. - Rs. 5.51 Lakhs)
10. Earnings in foreign exchange : NIL (Previous year - NIL)
11. Value of imports during the period : Rs. 2308.43 lakhs (P.Y. - 1722.86 lakhs) (Against LC)

Disclosure of Employer Expenses for the year ended 31st March 2009

(Rupees in Lakhs)

A	Components of Employer Expenses	Gratuity	Leave	PRMB	Settlement	LTSA & RG	Total
1	Current Service Cost	37.01	39.64	2.61	0.95	0.22	80.43
2	Interest Cost	80.55	36.29	5.64	1.97	0.38	124.83
3	Expected Return on Planned Assets	0.00	0.00	0.00	0.00	0.00	0.00
4	Curtailement Cost / (Credit)	0.00	0.00	0.00	0.00	0.00	0.00
5	Settlement Cost	0.00	0.00	0.00	0.00	0.00	0.00
6	Past Service Cost	0.00	0.00	0.00	0.00	0.00	0.00
7	Actuarial Losses / (Gains)	107.47	179.05	(1.80)	(0.73)	0.76	284.75
8	Total Employer Expenses Recognised in P&L Assumption at April 2008	225.03	254.98	6.45	2.19	1.36	490.01
	Discount Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Net Assets / (Liability) Recognised in Balance Sheet 31st March 2009

(Rupees in Lakhs)

A	Net Assets / (Liability) Recognised Balance Sheet 31st March 2009	Gratuity	Leave	PRMB	Settlement	LTSA & RG	Total
1	Present Value of Defined Obligations	1170.39	656.20	71.28	25.72	5.18	1928.77
2	Fair Value of Plan Assets	0.00	0.00	0.00	0.00	0.00	0.00
3	Funded Status [Surplus/Deficit]	(1170.39)	(656.20)	(71.28)	(25.72)	(5.18)	(1928.77)
4	Unrecognised Past Service Cost	0.00	0.00	0.00	0.00	0.00	0.00
5	Net Assets/(Liability) Recognised in Balance Sheet Assumption at March 2009	(1170.39)	(656.20)	(71.28)	(25.72)	(5.18)	(1928.77)
	Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

Change in obligation and assets over the year ended 31st March 2009

(Rupees in Lakhs)

A	Change in Defined Benefit Obligation	Gratuity	Leave	PRMB	Settlement	LTSA & RG	Total
1	DBO at the beginning of the period	1068.40	506.09	76.05	25.68	5.80	1682.02
2	Service Cost	37.01	39.64	2.61	0.95	0.22	80.43
3	Interest Cost	80.55	36.29	5.64	1.97	0.38	124.83
4	Curtailement (Cost/Credit)	0.00	0.00	0.00	0.00	0.00	0.00
5	Settlement Cost	0.00	0.00	0.00	0.00	0.00	0.00
6	Plan Acquisition	0.00	0.00	0.00	0.00	0.00	0.00
7	Acquisition	0.00	0.00	0.00	0.00	0.00	0.00
8	Actuarial Losses / Gains	107.47	179.05	(1.80)	(0.73)	0.76	284.75
9	Benefit Payments	(123.04)	(104.87)	(11.22)	(2.15)	(1.98)	(243.26)
10	DBO at the end of the period	1170.39	656.20	71.28	25.72	5.18	1928.77

Change in obligation and assets over the year ended 31st March 2009 (Contd.)

(Rupees in Lakhs)

B	Change in Fair Value	Gratuity	Leave	PRMB	Settlement	LTSA & RG	Total
1	Fair Value of Planned Assets at the beginning of the period	0.00	0.00	0.00	0.00	0.00	0.00
2	Acquisition Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
3	Expected return on plan assets	0.00	0.00	0.00	0.00	0.00	0.00
4	Actual Company Contributions	123.04	104.87	11.22	2.15	1.98	243.26
5	Actuarial Gains / (Loss)	0.00	0.00	0.00	0.00	0.00	0.00
6	Benefit Payments	(123.04)	(104.87)	(11.22)	(2.15)	(1.98)	(243.26)
7	Fair Value of Planned Assets at the end of the period Assumption at 31st March 2009	0.00	0.00	0.00	0.00	0.00	0.00
	Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

Reconciliation of Net Assets / Liability Recognised in Balance Sheet for the year ended 31st March 2009

(Rupees in Lakhs)

		Gratuity	Leave	PRMB	Settlement	LTSA & RG	Total
1	Net Assets/(Liability) at the beginning of the period	(1068.40)	(506.09)	(76.05)	(25.68)	(5.80)	(1682.02)
2	Employer Expenses	225.03	254.98	6.45	2.19	1.36	490.01
3	Employer Contribution	(123.04)	(104.87)	(11.22)	(2.15)	(1.98)	(243.26)
4	Acquisitions/Business Combinations	0.00	0.00	0.00	0.00	0.00	0.00
5	Net Assets/(Liability) at end of the period	(1170.39)	(656.20)	(71.28)	(25.72)	(5.18)	(1928.77)

Experience History

(Rupees in Lakhs)

		Gratuity	Leave	PRMB	Settlement	LTSA & RG	Total
1	Defined Benefit Obligation at the end of the period	(1170.39)	(656.20)	(71.28)	(25.72)	(5.18)	(1928.77)
2	Plan Assets at end of the period	0.00	0.00	0.00	0.00	0.00	0.00
3	Funded Status	(1170.39)	(656.20)	(71.28)	(25.72)	(5.18)	(1928.77)
4	Experience Gain/(Loss) adjustments on plan liabilities	(68.05)	(148.96)	6.10	1.29	(0.60)	(210.22)
5	Experience Gain/(Loss) adjustments on plan assets	0.00	0.00	0.00	0.00	0.00	0.00
6	Actuarial Gain/(Loss) due to change on assumptions	(39.42)	(30.09)	(4.36)	(0.56)	(0.16)	(74.59)

16. The scheme of SESBF has been approved by the Board during the FY 2007-08 for the year 2005-06 & 2006-07 but the provisions are made for the year 2007-08 & 2008-09 including interest liability of the company to the said fund as on 31st March 2009 has been provided to Profit & Loss Account under the head "SESBF".
17. Interest income on Staff Advances given by BPSCL is considered as and when the same is realized by way of deduction from salary of the employees. On transferred balance of staff advances (given by SAIL) the realized interest from employees are adjusted against Interest Receivable amount transferred by SAIL.
18. Regarding Staff related Loans and Advances as well as Provident Fund Account with SAIL/BSL P.F. Trust, balances of Control Accounts with the Subsidiary Ledgers in under Reconciliation. Adjustment entries (if necessary) would be made on completion of Reconciliation.
19. Balance of Sundry Creditors in respect of Coal purchase and handling and forwarding agent are under Confirmation and reconciliation.
20. UNHEDGED FOREIGN CURRENCY EXPOSURE

The unhedged foreign currency exposure as on 31st March 2009 is given below :

Particulars	2009		2008	
	Foreign Currency (USD)	INR (Rs. in Lakhs)	Foreign Currency	INR (Rs. in Lakhs)
Payable (Principal + accrued interest)	411.65	20882.99	346.70	13833.23
Receivable	Nil	Nil	Nil	Nil

21. EARNINGS PER SHARE

Particulars	2009	2008
Profit after tax, prior period adjustment & tax adjust as per Profit & Loss A/cs (Rs. in Lakhs) (a)	3026.44	3,131.31
No. of Equity share of Rs. 10 each outstanding (in Rs.) (b)	16,80,50,000.00	16,80,50,000.00
Effect of potential Equity Shares on Advance for Shares outstanding (in Rs.) (d)	3,00,00,000.00	3,00,00,000.00
Weighted average number of equity shares in computing diluted earnings per share [(b)+ (c)] (in Rs.)	19,80,50,000.00	19,80,50,000.00
Earning per share :		
Basic [(a)/(b)] (in Rs.)	1.80	1.86
Diluted [(a)/(d)] (in Rs.)	1.53	1.58

22. DEFERRED TAX LIABILITY (NET) : (Rs. in Lakhs)

Deferred Tax Liability included in Balance Sheet comprises of	2009	2008
Deferred Tax Assets :		
Gratuity	397.81	363.14
Leave Salary	223.04	172.02
Post Retirement Medical Benefits	24.23	25.85
Settlement Benefit	8.74	8.73
Long Term Service Award	1.76	1.97
Unabsorbed Depreciation	<u>655.58</u>	<u>571.71</u>
Deferred Tax Liability :	2954.33	3,579.72
Depreciation		
Net Deferred Tax Liability	<u>2298.75</u>	<u>3,008.01</u>

23. Previous year's figures have been recasted / regrouped wherever found necessary to make them comparable with figures of current year.

Sd/-
(K. K. SINGH)
Chief Executive Officer

Sd/-
(S. R. SUBHEDAR)
Director

Sd/-
(T. K. GUPTA)
Chairman

As per our report
For D. N. DOKANIA & ASSOCIATES
Chartered Accountants

Sd/-
(N. K. MUKHOPADHYAY)
Company Secretary
& HOD Finance & Accounts

Sd/-
(A. K. SAW)
Partner
Mem. No. 410275

Date : 14.09.09
Place : B. S. City

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	Registration Details :	State Code	55
	Registration No.		U40300DL2001PTC112074
	Balance Sheet date		31.3.09
II.	Capital raised during the year (Amount in Rs. Thousands)		
	Public Issue		Right Issue
	NIL		NIL
	Bonus Issue		Private Placement
	NIL		NIL
III.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
	Total Liabilities		Total Assets
	8678670		8678870
	Source of Funds :		
	Paid-up-Capital		Reserve & Surplus
	1980500		1885041
	(includes Rs. 3000 lakhs kept as Advance against Equity)		
	Secured Loans		Unsecured Loans
	2908003		34305
	Application of Funds :		
	Net Fixed Assets		Deferred Tax Liabilities
	5194456		229875
	Net Current Assets		Investments
	1843268		NIL
	Accumulated Losses		Misc. Expenditure
	NIL		NIL
IV.	Performance of Company (Amount in Rs. Thousands)		
	Turnover		Total Expenditure
	5856527		5225407
	Profit(+)/Loss(-) Before Tax		Profit(+)/Loss(-) After Tax
	631120		302644
	Earning per Share in Rs.		Dividend rate
	1.80		1.61%
V.	Generic Names of Three Principal Products/Services of Company (as per monetary terms)		
	Item Code No.		N.A.
	(ITC Code)		
	Product Description		Generation of Electricity

Sd/-
(K. K. SINGH)
Chief Executive Officer

Sd/-
(S. R. SUBHEDAR)
Director

Sd/-
(T. K. GUPTA)
Chairman

As per our report
For D. N. DOKANIA & ASSOCIATES
Chartered Accountants

Sd/-
(N. K. MUKHOPADHYAY)
Company Secretary
& HOD Finance & Accounts

Sd/-
(A. K. SAW)
Partner
Mem. No. 410275

Date : 14.09.09
Place : B. S. City



Phone : 2480343, 2480003
Fax : 2482212, 2482184

प्रधान निदेशक, वाणिज्यिक लेखा परीक्षा एवं पदेन् सदस्य, लेख
परीक्षा बोर्ड का कार्यालय, मेकन भवन, राँची - 834002

OFFICE OF THE
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
& EX-OFFICIO MEMBER, AUDIT BOARD
MECON BUILDING, RANCHI - 834002
Fax No. 0651-2480285

No. Rep. 1/29 A/Cs/BPSCL/2008-09/645

Dated : 29th October 2009

To

The Chairman,
Bokaro Power Supply Company (P) Limited
Hall No. - M-01, Old Administrative Building
Ispat Bhavan,
Bokaro Steel City - 827001

Sub : Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Annual Accounts of Bokaro Power Supply Company (P) Limited for the year ended 31st March 2009.

Sir

I am to forward herewith the comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Annual Accounts of Bokaro Power Supply Company (P) Limited for the year ended 31st March 2009.

The receipt of this letter many please by acknowledge.

Yours faithfully,

Sd/-

(Rakesh Mohan)

Principal Director of Commercial Audit
Ranchi

Encl : As above

REPLY TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF BOKARO POWER SUPPLY CO. (P) LIMITED FOR THE YEAR ENDED 31ST MARCH 2009

Annexure III

Annexure IV

Item No.	Comments of the Comptroller & Auditor General of India	Reply to C & AG Audit Memo No. 1
A	<p>The preparation of financial statements of Bokaro Power Supply Company (P) Limited for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 14 September 2009.</p> <p>I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Bokaro Power Supply Company (P) Limited for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.</p> <p>COMMENTS ON FINANCIAL POSITION</p> <p>Schedule-1.4B-Capital Work-in-Progress-Rs. 311.49 crore Schedule 1.10 - Current Liabilities - Rs. 35.11 crore</p> <p>The Capital Work-in-Progress and Current Liabilities are under stated by Rs. 21.04 crore due to :</p>	<p>A (i) Building schedule are notional for making payments to the parties as per terms of the contract. Liability dose not accrue on the basis of the bills raised as per the billing schedule but on the completion of the job in totality as per the terms of the contract. Hence question of creating provision of liability on the basis of bill does not arise.</p> <p>As per Clause No. 6.5 of payment terms, all progressive payments (interim) shall be regarded as payments by way of advance against the final payment only and not as payment for the work completed till the date of progressive payment. The progressive payment made shall not exonerate the contractor from liability to finally complete the work strictly in accordance with the specification and drawings and if required by reconstruction or re-erecting faulty work.</p> <p>The matter is now under review and necessary effect will be given in 2009-10. On commissioning of the project.</p> <p>A (ii) Billing schedule are notional for making payments to the parties as per terms of the contract. Liability does not accrue on the basis of the bills raised as per the billing schedule but on the completion of the job in totality as per the terms of the contract. Hence question of creating provision of liability on the basis of bill does not arise. Project bills are considered for provision only on bills in hand due for payment but not paid within 31st March.</p> <p>As per our terms of payment all progressive payments (interim) shall be regarded as payments by way of advance against the final</p>

Annexure III

Annexure IV

Item No.	Comments of the Comptroller & Auditor General of India	Reply to C & AG Audit Memo No. 2
i)	Non-provision of liability of Rs. 20.23 crore deducted towards retention money from the bills of the contractors, which is to be released subsequently.	payment only and not as payment for the work completed till the date of progressive payment.
ii)	Non-provision of liability of Rs. 80.74 lakh towards taxes & duties payable to M/s Alstom Project India Ltd. for material supplied for boiler no. 9. Schedule 1.6 - Sundry Debtors Rs. 112.13 crore The above includes Rs. 1.17 crore being the excess interest on normative working capital claim rejected by the party (SAIL) in a joint reconciliation which should have been written off by the company. The same resulted in overstatement of sundry debtors and net profit by Rs. 1.17 crore.	The difference amount of Rs. 117.16 lakh was under reconciliation and the same has been settled and adjusted in FY 2009-10 consequently Sundry Debtors-BSL has been reduced by this amount.
B.	<p>Comments of Disclosure</p> <p>Notes on accounts Item No. 6 - Contingent Liabilities Capital Commitment - Rs. 68.45 crore</p> <p>Capital commitment under stated by Rs. 13.70 crore should have been shown separately as "Estimated amount of contract remaining to be executed on capital account and not provided for at Rs. 82.15 crore" instead of showing under contingent liability.</p>	<p>B. 1. Regarding LOA. BPSCL/CEO/Civil-9A/9137 dated 10.01.2009 : The LOI was issued on HSCL for the civil and structural work for Rs. 15.89 crore which was earlier awarded to Ramakant Singh for Rs. 910.88 lakh on risk purchase clause basis and the procedure for the same are to be finalised soon during the current financial year 2009-10.</p> <p>2. Regarding BPSCL/CEO/P&C/08-09/C-113/7072 dated 03.10.2008 and BPSCL/CEO/P&C/08-09/C-113/7072 dated 03.10.2008 : Due to some technical reasons the scope of the work is likely to be changed with approval of the competent authority and the fair estimate of the contingent liability could be possible only thereafter for the lot issue for Rs. 6.93 crore.</p>
	<p>For and on the behalf of the Comptroller & Auditor General of India</p> <p style="text-align: right;">Sd/- (Rakesh Mohan) Principal Director of Commercial Audit</p> <p>Place - Ranchi Date - 29.10.2009</p>	<p style="text-align: right;">Sd/- (T. K. Gupta) Chairman</p>