

H.P. POWER TRANSMISSION CORPORATION LIMITED SHIMLA-2

NOTES ON ACCOUNTS FORMING PART OF BALANCE SHEET

(A) SIGNIFICANT ACCOUNTING POLICIES

1. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

Accounting Convention - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and applicable accounting standards in India. The financial statements adhere to the relevant presentation requirement of the Companies Act, 1956.

2. **FIXED ASSETS**

2.1 Fixed assets are shown at historical cost less accumulated depreciation. The cost includes any cost attributable of bringing the assets to its working condition for its intended use.

2.2 The addition to fixed assets are being capitalized on the basis of bills approved by competent authorities.

2.3 **Capital Work In Progress -**

(i) Capital Work in Progress in respect of 220 KV Double Circuit Line from Kashang-Bhaba Project is capitalized on the Basis of Bills already approved and paid by HPSEB till June,2010 and thereafter by HPPTCL to various contractors who have worked on the project. All indirect expenditure specifically incurred for 220KV double circuit line from Kashang Bhaba project is also capitalized & added to cost of this project. Corporation has considered title to the project in accordance with the MOU dated 06.04.09 between HPPCL & HPPTCL

(ii) Various other capital works in progress for construction of Transmission Lines and & Sub-Stations is capitalized on the basis of bills already approved and paid to contractors & other indirect expenditure specifically related to such expenditure also capitalized & added to cost of such project.

3. **DEPRECIATION**

3.1 Depreciation on assets which are put in to use till end of financial year is provided on pro-rata basis on written down value method at the rates Prescribed in the schedule XIV of the Companies Act,1956.

3.2 Depreciation on expenditure on leased assets is provided over a period of lease following even spread method.

4. RETIREMENT BENEFITS

- 4.1 In respect of defined contribution scheme like provident fund in respect of employees on deputation, respective contributions are remitted to their parent organization on accrual basis.
- 4.2 Since almost all employees of the Corporation as on Balance Sheet date are on deputation basis, it is not possible for the corporation to calculate actuarial valuation of leave encashment, gratuity and other retirement benefits payable to employees on deputation & therefore corporation will not be able to follow Accounting Standard AS-15 "Accounting for Retirement Benefits" issued by the Institute of Chartered Accountants of India.

5. BORROWING COST

During the year all non specific borrowings costs are charged to profit & loss account and no specific borrowing cost, is incurred during the year.

6. TAXES ON INCOME :-

Tax on income for the current period is determined on the basis of various judgments of Honorable Courts that income earned during construction period is not taxable and accordingly no current Tax liability is determined.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date and since as on balance sheet date no such timing difference as such exist & hence there is not any deferred tax liability or asset.

7. PROVISIONS AND CONTINGENT LIABILITIES:

A provision is recognized when the corporation has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognized but are disclosed in the schedule of contingent liability on the basis of judgment of the management/independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

8. PRELIMINARY & PRE-OPERATIVE EXPENDITURE

The Corporation has not yet commenced its commercial operations. Expenditure incurred during construction period including Depreciation on Fixed Assets has been treated as incidental and capital expenditure during construction period and such expenditure are shown net of preoperative income. Further expenditure incurred on filing/ legal fees regarding formation of the Corporation and all expenses incurred prior to the incorporation of

the corporation & expenditure incurred in relation to increase in authorized capital have been treated as Preliminary Expenses. No provision has been made for write off of preliminary expenses during the year. The same will be written off after commencement of complete operations of the Corporation.

(B) NOTES TO THE ACCOUNTS

1	Contingent Liabilities not provided for in respect of:	As on 31.03.11 (Rs. In lacs)	As on 31.03.10 (Rs. In lacs)
(a)	Estimated amount of contract remaining to be executed on capital account (net of advances)	13.37	0.00
(b)	Any other contingent liability pending in appeals based on judicial pronouncement and/or Legal opinion and other matters.	0.00	0.00
(c)	In respect of cess on turnover or gross receipt of corporation U/S 441 A of Companies Act, to be levied @ not less than 0.005% and not more than 0.1% on the value of the annual turnover or gross receipt whichever is higher. No provision has been made as the cess rate & the date from which it is applicable has not been notified so far by the Govt. Though no such notification has been issued so far, the Corporation may have to pay cess minimum of Rs. 2686.00 (Rupees Two Thousand Six Hundred Eighty Six) {Previous year Rs.766.00} and maximum of Rs. 53713.00 (Rupees Fifty Three Thousand Seven hundred Thirteen only) (Previous Year Rs. 15331.00) if levied retrospective from the financial year 2008-09 being corporation is incorporated in the financial year 2008-09.		

2. <u>Additional information required as in Part II of Schedule VI</u>	(Rs. in lacs)	
	Yr. Ended 31.03.11	Yr. Ended 31.03.2010
Expenditure in Foreign Currencies (Actual outgo):		
- Interest on borrowings	0.00	0.00
- Commitment Charges	0.00	0.00
- Foreign Traveling	0.00	0.00
- Capital Expenditure	0.00	0.00
TOTAL	0.00	0.00
Earnings in Foreign Currencies:	0.00	0.00
- Interest	0.00	0.00
-Auditors remuneration:		
-Statutory Audit Fee	0.22	0.22
-Tax Audit Fee	0.00	0.00
-Other Matters	0.00	0.00
TOTAL	0.22	0.22

Managerial Remuneration:		
- Salary and allowances	20.42	5.70
- Contribution to PF and other funds	0.00	0.00
- Perquisites	0.00	0.00
- Sitting fee to Directors	0.00	0.00
TOTAL	20.42	5.70

During the year ended, no remuneration is paid to Managing Director however Directors Remuneration was paid w.e.f April, 2010 to 31st March, 2011.

3. Provisions for gratuity leave encashment, sick leave and leave travel concession is not being made as almost all of employees are on Deputation Basis and accordingly accounting standard AS-15 to accounting for retirement benefits is not being applied. In respect of employees of the corporation other than on deputation provisions are yet to be made for both defined contribution schemes and defined benefit scheme.
4. Provisions of Accounting Standard (AS-19)
 - (a) Financial Lease: NIL
 - (b) Operating Lease: The Corporation has taken office premises under operating lease with varying lease periods and disclosure requirements are as under:

Period	Current Year (Rs. In lacs)	Previous Year (Rs. In lacs)
Total of future minimum lease payments (Gross Investment)	37.10	18.75
Maturity profile of total of future minimum lease payments		
Not later than one year	18.55	18.75
Later than one year but not later than five year	18.55	0.00
Later than five year	0.00	0.00
TOTAL	37.10	18.75

5. Since, during the year ended 31.03.2011 Corporation is not having any Distributable Profits, Earning per share (Basic & Diluted) is NIL.
6. During the year 2009-10, the corporation had entered in MOU with HP Power Corporation Limited where it was agreed between the two undertakings that the Total Expenditure of Rs. 69,21,40,000.00 (Rupees Sixty Nine crores Twenty One Lacs & Forty Thousand only) incurred on the construction of 220KV Double Circuit Transmission Line from Kashang to Bhaba to evacuate power upto March 2009 (includes expenditure of Rs. 65,67,74,000.00 (Rupees Sixty Five crores Sixty Seven Lacs & Seventy Four Thousand only) made by HPSEB, expenditure of Rs.60,88,000.00 (Rupees Sixty Lacs & Eighty Eight Thousand only) made by KKPCL & expenditure of Rs. 2,92,78,000.00 (Rupees Two crores Ninety Two Lacs & Seventy Eight Thousand only) made by HPPCL) will be handed over to the Corporation by Himachal Pradesh Electricity Board after completion & thereafter for Running & Maintenance of the said Transmission Line but the MOU in this regard between Corporation & HP State Electricity Board is yet to be executed & signed. Accordingly such assets & liabilities of Rs. 69,21,40,00,000 (Rupees Sixty Nine crores Twenty One Lac Forty Thousand only) in respect of this project is yet to be accounted for & same is under reconciliation between Corporation & HPSEB. As on Balance Sheet Date, the

corporation has already made investment of Rs. 10,44,68,227/- (Rupees Ten crore Forty four lac Sixty Eight thousand Two hundred Twenty Seven only) on this Transmission Line in terms of MOU.

7. In respect of capital work in progress for Kasang Bhaba Project, all Bills, Records & the complete work account is maintained by Senior Executive Engineer, Transmission Division, HPSEB, Bhabanagar from April 2008 to June, 2010 and duplicate copy of bills except bills copies of Rs. 1,42,77,700.00 (Rupees One crore Forty Two lacs Seventy Seven Thousand and Seven hundred only) is submitted to corporation. After July, 2010 onwards the entire expenditure on this project was made by HPPTCL on the basis of payment of original bills.
8. The opening capital work in progress of Rs. 6,55,008/- (Rupees Six Lac Fifty Five Thousand Eight only) in respect of Sawara Kuddu project shown as asset of the corporation in earlier year adjusted against the amount received from H.P. Power Corporation Ltd. Being the project was being undertaken by corporation on behalf of H.P. Power Corporation & after completion same will be handed over to H.P. Power Corporation limited. Against this the corporation has received advance of Rs. 10,36,647/- (Rupees Ten Lac Thirty Six Thousand Six Hundred Forty Seven only).
9. The opening capital work in progress of Rs. 41,68,894/- (Rupees Forty One Lac Sixty Eight Thousand Eight Hundred Ninety Four only) in respect of Power Transformer at Malana was undertaken by corporation on behalf of HPSEB and in the current year the total amount of Rs 46,27,013/- (Rupees Forty Six lac Twenty Seven thousand and Thirteen only) including departmental charges of Rs 4,58,119/- (Rupees Four lac Fifty Eight thousand One hundred Nineteen only) is shown recoverable from HPSEB .
10. In terms of "Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010" notified by the State Govt. vide No. MPP-A(3)-1/2001-IV dated 10.06.2010 transmission lines having gross value of Rs.199,07,72,000/- (Rupees One hundred Ninety Nine crores Seven lac Seventy Two thousand only) are re-vested with HPPTCL. The value of assets to be transferred to HPPTCL is under reconciliation with HPSEB Ltd. and all assets & liabilities in this regard shall be taken in the accounts of HPPTCL after ascertaining the actual cost of such assets accumulated depreciation and net block.
11. In terms of Notification no. MPP-A9I) 42006 loose, dated 17/03/2011 of government of Himachal Pradesh the amount of Rs. 8.00 crores (Rs. 7,99,80,000 as share application money & Rs. 20,000 as paid up capital) invested by HPSEB in corporation shall be adjusted by the State Government against dues payable to HPSEB and accordingly Rs. 7,99,80,000/- standing in share application money HPSEB is transferred to State Government account & balance of Rs. 20,000/- can not be transferred being paid up capital in the name of HPSEB.
12. In terms of letter no. Fin-2-C-12-2/2011 of Government of Himachal Pradesh Finance (ways & Means) department, dated 28.03.2011, the corporation has received the funds of Rs. 108.70 Crores from Himachal Pradesh Infrastructure Development Board in order to substitute the equity contribution of 108.70 Crores of state government & corporation issued the same amount of cheque to State Government. But the fact that amount of Rs. 48.71 crores which is already allotted to state government as paid up capital is not considered in the letter & technically the

corporation has made advance payment of Rs. 48.71 Crores to State Government & has received share application of Rs. 108.70 Crores from HP Infrastructure Development Board but only net amount of Rs. 67.99 Crores (after taking into consideration the amount of Rs 7,99,80,000 transfer from HPSEB. In terms of Notification no. MPP-A9I) 42006 loose, dated 17/03/2011) is shown as share application from state government.

13. Based on information available with the corporation, there are no suppliers/service providers who are registered as Micro, Small and Medium undertakings under “The Micro, Small and Medium Enterprises Development Act 2006” as on 31st March, 2011 hence the corporation has no outstanding liability towards Micro, Small and Medium Enterprises.
14. Fixed assets possessed by the corporation are treated as ‘Corporate Assets’ and not ‘Cash Generating Units’ as defined by Accounting Standard (AS-28) – “Impairment of Assets”. As on 31st March 2011, there were no events or change in circumstances, which indicate any impairment in the assets.
15. The Corporation has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India except AS-15 of Retirement Benefits & AS-22. “Accounting for Taxes on Income.”
16. During the period ended 31.03.11, Corporation has earned interest income of Rs.3,68,08,957.38 (Rupees Three crore sixty eight lac Eight thousand Nine hundred Fifty Seven & paisa thirty eight only) (Previous year 1,28,80,767.39) on which TDS of Rs. 45,14,058.00 (Rupees Forty Five lac Fourteen thousand and Fifty Eight only) (Previous year 40,14,250.00) has been deducted by the banks.
17. In terms of Notification No. MPP-A(3) 1/2001-IV dated 10.06.2010 of Government of Himachal Pradesh (Department of MPP & Power) the statutory function of state transfer utility (STU) shall be performed by corporation & accordingly the corporation will have two segments of STU & power transmission. In the current year the corporation is still under construction period & there was not any specific income under both the segments & segment wise expenditure will be defined after commencement of complete operation & revenue generation activities.
18. On the basis of various judgment delivered by the Honorable courts regarding non taxability of income earned during the construction period the Corporation has not created any provision for current year income tax liability.
19. During the year authorized share capital of corporation is enhanced from Rs.5.00 Cr. (Divided into 5,00,000 equity shares of Rs. 100 each) to Rs. 50.00 Cr.(divided into 50,00,000 equity shares of Rs. 100 each).
20. During the year the corporation has allotted 48,70,000 equity shares of Rs. 100.00 each to state government making total paid up capital of Rs. 48,71,00,000/- (Rupees Forty Eight crores and Seventy One Lacs only)
21. As on balance sheet date the total share application money is Rs.67,99,00,000/- (Rupees Sixty Seven crore Ninety Nine lac only) against total authorized capital of

Rs. 50,00,00,000/-(Fifty crores only) & corporation is still under process of increasing the authorized capital.

22. Outstanding balance in share application money of Rs.67,99,00,000/- (Rupees Sixty Seven crore Ninety Nine lac only) 2,13,29,673.00/- (Rupees Two crore Thirteen lacs Twenty Nine thousand Six hundred and Seventy Three only) in accounts receivable and Rs. 64,89,261/- (Rupees Sixty four lacs Eighty Nine thousand Two hundred and Sixty one only) in account payable are subject to confirmation & reconciliation. In the opinion of the management; no material impact of such reconciliation on financial statement is anticipated.
23. Previous year figures have been given and re-arranged where ever required.
24. Balance sheet abstracts and Corporation's General Business profile as per Part IV of Schedule VI of the Companies Act, 1956 is enclosed as per appendix.

Hira Lal Verma
Asstt. Accounts Officer

Er. V.K Kaprete
Director (P&C)

J.C. Sharma, IAS
Managing Director