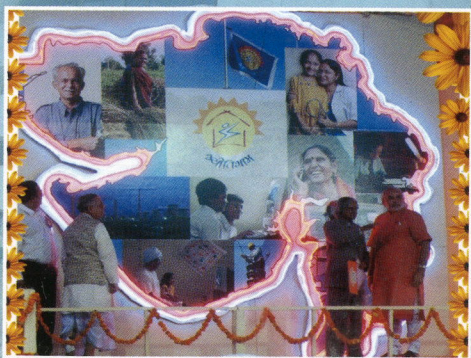
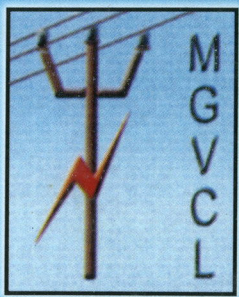
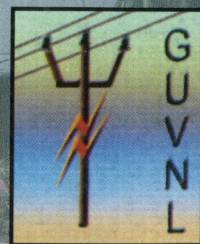


3rd Annual Report 2005 - 06



MADHYA GUJARAT VIJ COMPANY LIMITED

(A Wholly Owned Subsidiary of Gujarat Urja Vikas Nigam Ltd.)



Madhya Gujarat Vij Company Limited

BOARD OF DIRECTORS

Shri L. Chuaungo, IAS	Chairman
Shri B.J. Bhatt (from 26-6-2006)	Director
Shri M K Iyer	Director
Shri H.P Desai (from 28-11-2006)	Director
Shri Anoop Shukla, IFS, (from 20-12-2005)	Managing Director
Shri P. K. Taneja, IAS (upto 10-11-2006)	Chairman
Shri J. C. Marathe (upto 31-5-2006)	Jt. Managing Director

COMPANY SECRETARY

Shri K M Antani

SENIOR EXECUTIVES

Shri M. N. Patel	Chief Engineer (Operation)
Shri D. V. Patel	Chief Engineer (Technical)
Shri K. R. Shah	General Manager (F&A)

BANKERS

UCO Bank
State Bank of India
Bank of Baroda
State Bank of Saurashtra
Dena Bank
Bank of India
Central Bank of India
Canara Bank
Syndicate Bank
Union Bank of India
Vijaya Bank
Allahabad Bank
Indian Bank
Indian Overseas Bank
Karur Vysya Bank
Corporation Bank

AUDITORS

M/s Mody & Mody Co.
Chartered Accountants,
Vadodara

REGISTERED OFFICE

Sardar Patel Vidyut Bhavan
Race Course
Vadodara - 390 007

Phone No. : (0265)2310582-86
Fax No. : (0265) 2337918, 2338164
Web Site : www.mgvcl.com
E-mail : info.mgvcl@gmail.com

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Third Annual Report 2005-06

NOTICE

Notice is hereby given that the Third adjourned Annual General Meeting of the Members of **Madhya Gujarat Vij Company Limited** will be held on Saturday, the 17th February, 2007, at 11.00 a.m. at the Conference Room, Third Floor, Sardar Patel Vidyut Bhavan, Race Course Circle, Vadodara – 390 007, to transact the following Ordinary Business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon along with Comments of the Comptroller & Auditor General of India.

By Order of the Board

Date : 17-02-2007

Place : Vadodara

K M Antani

Company Secretary

REGISTERED OFFICE :

Sardar Patel Vidyut Bhavan
Race Course
Vadodara – 390 007

NOTE :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

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Phone No. : (0262) 2310582-86
Fax No. : (0262) 2337918, 2338104
Web Site : www.mgvcl.com
E-mail : info.mgvcl@gmail.com

Madhya Gujarat Vij Company Limited

NOTICE

Notice is hereby given that the Third Annual General Meeting of the Members of **Madhya Gujarat Vij Company Limited** will be held on Tuesday, the 26th December, 2006, at 5.00 p.m. at the Conference Room, Third Floor, Sardar Patel Vidyut Bhavan, Race Course Circle, Vadodara – 390 007, to transact the following Ordinary and Special Business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon along with Comments of the Comptroller & Auditor General of India.
2. To appoint a Director in place of Shri M.K. Iyer, who retires by rotation and being eligible, offers himself for re-appointment.
3. To decide the remuneration payable to Statutory Auditors appointed by the Comptroller and Auditor General of India (C & AG), New Delhi, for the audit of accounts of the Company for the financial year 2006-07.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Shri Anoop Shukla, IFS, who was appointed as an Additional Director of the Company on 20th December, 2005, under Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting and who is eligible for re-appointment be and is hereby appointed as a Director of the Company and who shall not be subject to retirement until such time that he is the Managing Director of the Company. ”

5. **To consider and if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Shri B.J. Bhatt who was appointed as an Additional Director of the Company on 26th June, 2006, under Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting and who is eligible for re-appointment be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

By Order of the Board

Date : 22-12-2006

Place : Vadodara

K M Antani

Company Secretary

REGISTERED OFFICE :

Sardar Patel Vidyut Bhavan

Race Course

Vadodara – 390 007

Third Annual Report 2005-06

NOTES :

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time for holding of the meeting.
- 2 The Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956, is annexed hereto as "Annexure to the Notice".

Annexure to Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

Shri Anoop Shukla, IFS, was appointed as an Additional Director by the Board of Directors by resolution dated 20th December, 2005, under Section 260 of the Companies Act, 1956 and he holds office up to the date of this Annual General Meeting. He represents Gujarat Urja Vikas Nigam Limited (GUVNL), the holding Company, pursuant to Article 57 of the Articles of Association of the Company. He was also appointed as the Managing Director of the Company on the same date. On his appointment as Director at this Annual General Meeting, he will continue to be the Managing Director of the Company.

Shri Anoop Shukla, IFS, was Conservator of Forests (Wild life), at Vadodara. He has to his credit rich experience of more than 23 years in the Government.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors, except Shri Anoop Shukla, IFS, is interested or concerned in this resolution.

Item No. 5

Shri Shri B.J. Bhatt was appointed as an Additional Director by the Board of Directors effective from 26th June, 2006, by resolution dated 23rd June, 2006, under Section 260 of the Companies Act, 1956 and he holds office up to the date of this Annual General Meeting. He represents Gujarat Urja Vikas Nigam Limited (GUVNL), the holding Company, pursuant to Article 57 of the Articles of Association of the Company.

Shri B.J. Bhatt is working as Vice president (Co-ordination) of Gujarat Urja Vikas Nigam Limited. He has more than 2 decades experience in various capacities.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors, except Shri B.J. Bhatt, is interested or concerned in this resolution.

By Order of the Board

Date : 22-12-2006

Place : Vadodara

K M Antani
Company Secretary

REGISTERED OFFICE :

Sardar Patel Vidyut Bhavan

Race Course

Vadodara – 390 007

Madhya Gujarat Vij Company Limited

DIRECTORS' REPORT

To,

The Members,

Your Directors have great pleasure in presenting the Third Annual Report of the Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company are given below.

(Rs. in lacs)

Particulars	2005-06
Total Income	158665.37
Gross Profit before Depreciation, Interest and Tax	11414.23
Depreciation	3473.32
Interest and Finance Charges	6669.10
Profit before Tax	1271.81
Provision for Tax (including provision for deferred tax and fringe benefit tax)	(446.14)
Profit after Tax	1717.95
Prior Period Adjustments (Credit)	(23.37)
Net profit available for appropriation	1741.32

[Since, being the first year of operations of the Company, figures of the previous year are not provided]

DIVIDEND

Being the first year of operations, the Directors do not recommend payment of any dividend for the year.

OPERATIONALISATION

The Government of Gujarat had reorganized the erstwhile Gujarat Electricity Board (GEB) into seven separate entities with functional responsibilities of generation, transmission, distribution and trading with complete autonomous operations.

To make all these Companies operational, the Government of Gujarat (GOG) notified on 3rd October, 2006, the opening Balance Sheets of these Companies as on 1st April 2005, containing the value of the assets and liabilities which stand transferred from the erstwhile GEB. Notification No. GHU-2006-91-GUV-1106-590-K dated 3rd October, 2006 (the said Notification) was issued by GOG for the purpose. Annexure-E appended to the said notification contained the opening Balance Sheet of your Company. Accordingly, the said values of the assets and liabilities have been taken into as opening balances while preparing the final accounts for the year 2005-06. The said Notification was based on the Financial Re-structuring Plan (FRP) approved by the GOG for the Government owned Electricity Utilities.

The Government of Gujarat vide its Order No. GUV-1105-5163-K dated 29th September, 2005 and 18th

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July, 2006, had also transferred and permanently absorbed the personnel of erstwhile GEB into various Companies including your Company as per the Transfer Schemes.

Your Company has thus become operational effective from 1st April, 2005.

OPERATIONAL DETAILS

Revenue from the sale of power including subsidies amounted to Rs. 153687.68 lacs. The Company purchased 5,457 MUs of energy from Gujarat Urja Vikas Nigam Limited (GUVNL) including transmission losses and Central Sector pooled losses. Company sold 4,124 MUs of energy to all categories of consumers. The overall transmission and distribution losses reported to the extent of 1,333 MUs at 24.43%.

Some of the highlights of the working of the Company during the year under review are summarized as under :

- * Under various normal development schemes, 43 HT Industrial, 1,233 LT Industrial and 60,284 domestic connections are released.
- * In Agricultural Sector,
 - ☐ 50 wells under Rural Electrification Scheme
 - ☐ 545 wells under TASP Scheme
 - ☐ 772 wells under Tatkal Schemes, are electrified.
- * Under various Schemes like
 - ☐ Rural Electrification Scheme (REC) 11,
 - ☐ Tribal Area Sub Plan (TASP) 200 and
 - ☐ Central Scheme 438, Petaparas are electrified.
- * Under SCP Scheme, 133 Harijan Bastis electrified.
- * Under Jyoti Gram Scheme, the Electrification of 4,304 villages is completed and Electrification of all Petaparas also completed.
- * The availability of power without load shedding is maintained at the level of 99.28%.
- * Fatal Human Electrical Accidents reduced by 28.89% as compared to previous year and Non Fatal Human accidents also reduced by 15.79% compared to previous year.
- * 6,22,419 connections were checked under the installation checking drives and 15,009 of connections were detected for theft and malpractice with total assessment of Rs. 2,299 lacs.

NEW INITIATIVES AND FUTURE PLANS

Your Company aims to develop into an efficient and successful electricity distribution Company by introducing innovative new technologies, adopting efficient process and systems, emulating best practices in the industry and providing best services to its consumers. The new initiatives planned to improve the operational performance and service parameters for quality and reliable supply of electricity are :

- ❖ Automatic Power Factor Controller (APFC) panels for rural feeders having high Technical Losses and improvement in Power Factor. Auto Power Factor Controllers are capable to switch on and off the capacitors in stages and automatically maintain the desired power factor.

Madhya Gujarat Vij Company Limited

- ❖ As part of Energy Audit Accounting, Meters shall be provided on each Transformer Centres (TC) to find out weak pockets on feeders. Along with regular meter reading programs, meter reading of transformers will be taken and TC wise losses will be calculated. This will give the clear idea of weak pockets and help in qualitative installation checking.
- ❖ Projects for laying of 11 KV underground cable networks with Ring Main Systems in place of existing overhead 11 KV lines in the jurisdiction of Alkapuri, Gotri and Akota sub-divisions of Vadodara City are under implementation. Underground Cables reduce interruption of power, faults, accidents, avoid wastages/leakages and provide aesthetic look to the area.
- ❖ Aerial Bunch Conductor (ABC) and Insulated Conductors in all theft prone areas to avoid theft by direct hooking and thereby, reduce the commercial losses.
- ❖ SF6 based and oil type RMUs are provided in City areas to ensure power reliability.
- ❖ The Scheme called MEGA (Management of Electricity with Gram Associate) has been approved for improvement in customer services and to improve network through better maintenance. Under the said scheme, the co-operative societies, NGO and group of prominent villagers would act as distribution franchisee.
- ❖ Individual franchisee for the feeders has been adopted and 22 feeders have been allotted for individual franchisee. Either individual person or group of entrepreneurship can come forward and take up the work for a feeder.
- ❖ High loss feeders have been identified, close monitoring is being done up to sub-division level. In two phases, total 58+111 such feeders have been identified especially to reduce technical and commercial losses and reduce over all losses of the Company by designating Feeder Manager for each feeder.
- ❖ SCADA has been introduced in Baroda City Circle for prompt and accurate data base. This will be effective for analyzing the system.
- ❖ Re-conductoring of HT lines to reduce technical losses and improve power reliability.
- ❖ Segregation of Agriculture Dominant Feeders and Jyoti Gram Feeders will be completed shortly.
- ❖ Monthly Billing introduced in entire Baroda City Circle. Other important towns will be covered in a phased manner.
- ❖ The Japanese concept 5 S introduced in the Company to provide productive environment wherein employees have been able to give enhanced productivity in terms of better customer care and organised for higher technical competence.
- ❖ Special Designed Transformers (SDT) are installed at 232 agriculture dominant feeders to ensure the lighting supply to scattered consumers of rural areas.
- ❖ Pole mounted metering system will be introduced to avoid possibilities of theft of electricity, where the metering part will be mounted on the pole and display part will be installed at consumers' premises.
- ❖ Fault Passage Indicators (FPI) provided to quickly locate faults on 11KV line so as to either rectify or isolate the line according to nature of fault and restore power supply of healthy portion. 60 nos of FPI are provided in Umreth region and process for providing 270 FPI is going on.

- ❖ High Voltage Distribution System (HVDS) system is given high importance to reduce Technical & Commercial losses in Agricultural and Jyotigram feeders. Single-phase transformers will be procured to implement HVDS system in Jyotigram and Domestic load on Agricultural feeders.
- ❖ Umreth sub-division considered for developing it as a Model Distribution Centre under the Distribution Reforms Upgrades and Management Project (DRUM), a part of USAID's distribution programme aimed at building the capacity of utilities to reduce distribution losses, enhance the quality and reliability of power supply and improve financial and commercial performance.
- ❖ Several initiatives are taken for replacement of defective/stopped meters, replacement of meters by static meters and strengthening of distribution network to improve system operations.
- ❖ The Company has made systematic development competency for deploying Information Technology for efficiencies and effective discharge of its function. E-urja Project undertaken by Gujarat Urja Vikas Nigam Limited (GUVNL) for itself and the subsidiary Companies for end to end ERP solution was made go alive at the pilot sites.
- ❖ Area Load Dispatch Centre (ALDC) has become operational. It is a nerve centre for power system management. It works round the clock in rotating shift duty for all 365 days. ALDC is committed to take care of its genuine consumers by serving quality power with minimum interruptions.
- ❖ To curb theft of energy and malpractice, the Company has intensified its vigorous drives for qualitative installation checking. Checking drives are also organized during holidays and at odd hours. The assessment bills are issued within 48 hours.

Central vigilance teams are also organizing drives across the State with the help of 80 to 100 squads at a time with over 250 ex. army personnel.

Surveillance teams consisting of Corporate and field engineers have been formed to watch and gather information of theft and other irregularities adopted by various consumers.

The teams of 72 Engineers who are working in Circle Offices and Division Offices are formed for intensive installation checking and other activities like disconnection, recovery of arrears and monitor permanently disconnected consumers.

- ❖ The Company is pursuing ISO9001:2000 accreditation. This Certification is for the Company as a whole and shall be applicable to all offices of the Company.

The Company has taken up various innovative steps for improving customer services and ensuring high level of consumer satisfaction.

- ❖ The Geographical Information System (GIS) mapping of Baroda City Circle has been completed. The system is linked up with the fully computerized Call Centers for solving consumers' complaints regarding power failure, billing etc

The work of providing G.I.S. mapping to other Cities like Nadiad, Anand, Petlad, Cambay, Dakor, Borsad, Godhra, Halol, Dahod, Karjan, Padra etc. is in progress and the GPS surveys have already been carried out and GIS will be operative in near future for these areas. GIS mapping will be useful in reduction of commercial loss.

- ❖ In order to provide various Customers related services through a single window the Company has established fully computerized Customer Care Center at Baroda City Circle and the work at Baroda (Rural), Anand and Godhra circles is going on and Call Centers will start functioning

within a short period :

- * for better consumer interaction and services,
- * minimizing fault detection time by diagnosing the possible causes & location of outage,
- * minimizing restoration time by dynamically assigning crew & monitoring the progress,
- * improved performance of service by analyzing outage data & computing reliability of network,
- * to integrate all services related to billing, payments, meter replacement & other data for better information to consumers.

The access through internet is also extended by interfacing the Call Center to the World Wide Web. The database is Web enabled for access by Internet users and Center Agents.

- ❖ Fully Computerized Any Time Payment Center (ATP) started in Akota and Alkapuri Sub-divisions as pilot project. These Centers are like Bank's ATM Centers where the consumers can make payment of energy bills at any time. The Company envisages to set up these Centers in all Urban areas of the Company
- ❖ Automated Remote Metering (ARM) system installed for selected HT Consumers ARM facilitates meter reading with almost zero meter reading errors and saving in productive man power. The ARM also contributes to significant process improvements for load survey, on line information against tamper and theft with on line monitoring and immediate assess to data. The Company plans to provide ARM to all the major extra high tension consumers and all high valued LT industrial consumers.
- ❖ The Company's web site was developed which is customer friendly. Consumers can send the complaints and check the details of rules, regulation and procedure. It also provides status of their complaints.
- ❖ The Company has introduced the spot billing system with the help of hand held computers. This technology caters to better and quick services to the consumers with minimum errors in the billing system. Hand held instruments shall be provided to Meter Readers in all the areas of the Company.
- ❖ The HT & LT Industrial consumers meet are planned at regular intervals in the presence of top officials of the Company wherein the representatives of the consumers, Industrial Associations and Federations etc. are invited to raise their grievances. Such six meets of HT consumers were arranged to resolve the problem of HT consumers at various places.
- ❖ Consumers' Satisfaction Survey was conducted to understand and to measure consumers' satisfaction, their requirement, expectations and measure the performance of the Company in respect of the consumers' expectations. The survey also identifies Company's competitive strength and weaknesses in each sector for resources allocation. The survey was carried out by contacting 5,708 consumers in four consumer's segments by face to face interviews with structured questionnaires. The result of the survey has shown that the Company is much ahead in Consumer Satisfaction than other Electricity Suppliers. HT consumers which contribute 48% of the revenue are most satisfied consumers. The survey has shown that performance of the Company has been improved after unbundling. The Company also envisages continuing to conduct such surveys in future.
- ❖ Sampark, a programme to meet the consumers at unconventional places were organized to have a direct contact with the consumers to understand their difficulty / aspirations and needs of the consumers. Sampark specifically aimed at LT consumers.

Third Annual Report 2005-06

- ❖ The Company has also setup the Consumer Redressal Forum as mandated by the Electricity Act, 2003 and the regulations notified there under.

TARIFF

The Gujarat Electricity Regulatory Commission (GERC) is the authority to regulate the working of electricity utilities in the State and is entrusted with various functions, inter alia, including the determination of retail tariff rates for the end users of electrical energy. During the year, your Company had filed a petition with GERC on 7th January, 2006, seeking approval of the Aggregate Revenue Requirement (ARR) and Tariff Rationalization for the Financial Years 2005-06 and 2006-07. This was the first filing of petition with GERC by the Company after unbundling of erstwhile GEB. After due hearings, GERC had issued a detailed tariff Order on 6th May, 2006, approving ARR at Rs. 1774.20 Crores for F.Y. 2006-07 along with a revised Tariff Schedule effective from 1st April, 2006.

DIRECTORS

Since the last Annual General Meeting, Shri P.K. Taneja, IAS, resigned as Managing Director of the Company effective from 20th December, 2005. He continued as Chairman of the Company thereafter. He also resigned as Chairman and Director of the Company effective from 10th November, 2006. The Board of Directors has appointed Shri L Chuaungo, IAS, Director, as Chairman of the Company effective from 28th November, 2006.

Your Directors place on record their sincere appreciation of able leadership, vision, direction, untiring efforts, commitment, matured advice, significant contribution and valuable services provided by Shri P.K. Taneja, IAS, during his tenure as Chairman cum Managing Director and thereafter as Chairman of the Company.

The Board of Directors have appointed Shri Anoop Shukla, IFS, as Managing Director of the Company effective from 20th December, 2005, Shri B.J. Bhatt as Additional Director effective from 26th June, 2006 and Shri H.P. Desai as Director of the Company effective from 28th November, 2006 to fill the casual vacancy caused by the resignation of Shri P.K. Taneja, IAS. They were nominated by Gujarat Urja Vikas Nigam Limited in terms of Article 57 of the Articles of Association of the Company.

Shri J.C. Marathe, Chief Engineer & Joint Managing Director of the Company resigned as Joint Managing Director and as Director effective from 31st May, 2006, on attaining superannuation. Your Directors place on record their appreciation of the services rendered to the Company by Shri J.C. Marathe, Jt. Managing Director, during his tenure.

Shri Anoop Shukla and Shri B.J. Bhatt, being Additional Directors appointed pursuant to the provisions of Section 260 of the Companies Act, 1956, hold their office as such up to the date of ensuing Annual General Meeting.

Shri M. K. Iyer retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

1. in the preparation of annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. accounting policies have been selected and consistently applied and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of

Madhya Gujarat Vij Company Limited

affairs of the Company as at 31st March, 2006 and of profit of the Company for the year ended on that date;

3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the annual accounts for the financial year ended 31st March, 2006, have been prepared on a going concern basis.

AUDIT COMMITTEE

Pursuant to Section 292 A of the Companies Act, 1956, your Company has constituted the Audit Committee of the Board, which at present stands as under

Shri L. Chuaungo, IAS,	...	Chairman
Shri B.J. Bhatt	...	Member
Shri M.K. Iyer	...	Member

DISCLOSURES

(a) Particulars of Employees :

There was no employee during the year drawing remuneration in excess of the ceilings prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

(b) Energy Conservation & Technology Absorption:

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, information regarding Conservation of Energy, Technology Absorption are given in the Annexure to this Report and forms part of this report.

(c) Foreign Exchange Earnings & Outgo:

During the year under review, there was no foreign exchange earning or outgo.

AUDITORS

Pursuant to the provisions of Section 619 of the Companies Act, 1956, the Office of the Comptroller and Auditor General of India, New Delhi, (C & AG), appointed M/s. Mody & Mody Co., Chartered Accountants, Vadodara, as the Statutory Auditors of the Company to audit the accounts of the Company for the year ended 31st March, 2007. As per the provisions of Section 224 of the Companies Act, 1956, their remuneration is required to be fixed by the Company in General Meeting.

AUDITORS' REPORT

The notes to the accounts referred to in the Auditor's Report are self-explanatory and therefore, do not call for any further comments.

As suggested by the Auditors, the Company has enlarged the scope of the Internal Auditors of the Company from the current financial year.

The comments of the Comptroller & Auditor General of India in pursuance of Section 619(4) of the Companies Act, 1956, will be circulated as soon as the same are received.

COST AUDITORS

The Government of India, Ministry of Finance has issued Cost Audit Order under Section 233B of the Companies Act, 1956 to appoint Cost Auditor to audit the cost accounts relating to Electricity Industry product. Accordingly, the Board of Directors appointed M/s. Diwanji & Associates, Vadodara, as Cost Auditors for the Financial Year 2005-06, which has been approved by the Central Government for Auditing the Cost Accounts relating to Electricity Industry product.

For the Financial Year 2006-07, the Board of Directors have also re-appointed M/s. Diwanji & Associates, Vadodara, as Cost Auditors of the Company to conduct the Cost Audit of the said product and has been approved by the Central Government.

ACKNOWLEDGEMENT

The Board of Directors wishes to thank the Government of India (including the Ministry of Power), Government of Gujarat (including Energy & Petrochemicals Department), Gujarat Urja Vikas Nigam Limited, Gujarat State Electricity Regulatory Commission, financial institutions, bankers, consumers, suppliers and other business associates for their continued co-operation and patronage.

The Board also places on record its appreciation for the understanding and support extended by the employees at all levels.

Vadodara

22nd December, 2006

For and on behalf of the Board,

L. Chuango

Chairman

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY :

a) Conservation of Energy Measures taken

Automatic Power Factor Controller (APFC) panels for Improvement in Power Factor, there by reducing Technical Loss. Auto Power Factor Controllers are capable to switch ON and OFF the capacitors in stages and automatically maintain the designed power factor. These APFCs will switch on the capacitors depending upon the LT side loading of the Transformer to compensate the reactive energy drawal. Substantial energy can be saved by installation of Capacitors on the Transformers of such feeders there by improving power factor.

High loss feeders have been identified, close monitoring is being done up to sub-division. In two phases total 58+111 such feeders have been identified especially to reduce Technical loss and reduce over all losses by designating Feeder Manager.

Meters were provided on Transformer Centre for better control on system to identify weak pockets with high T&D losses

Quick and accurate Automatic Remote meter reading without visiting site of consumer has been introduced.

Regular and periodical maintenance of equipment and lines.

Intensive inspection to curb theft of energy and malpractice.

b) Additional investment and proposal, if any, being implemented for reduction of Consumption of Energy

Aerial Bunch Conductor (ABC) to avoid theft by direct hooking, control commercial loss in all theft prone areas.

Introduction of High Voltage Distribution System (HVDS) on identified high loss pockets for reducing LT lines, to bring down technical losses, to improve voltage regulation and reduction in interruption & ensure reliable power supply.

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

Savings in KWH and peak demand. Reduction in T & D losses.

B. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form B.

FORM -B

(Disclosure of particulars with respect to Technology Absorption)

Research and Development (R&D)

The Company per se did not carry out any R & D work during the year. However, some activities are carried out through indigenous sources resulted in improvement in the performance.

1. Specific areas in which R & D carried out by the Company.

High Tech Meter Testing Laboratory has been established at Baroda City Circle.

Automated Remote Metering (ARM) for select HT consumers.

Design and development of Fibre boxes for Consumer Meters / ARM Unit.

2. Benefits derived as a result of above R & D

In this technically advanced Laboratory, very accurate testing of quality meters is feasible as per International/ National standards and testing capacity has been enhanced.

ARM facilitates meter reading with almost zero meter reading errors and saves productive man power. The data stored in meter can be downloaded at any time for faster processing and to monitor consumers' behaviour in regard to electricity consumption and tempering of meter or any other irregularity.

3. Future plan of Action

To acquire accreditation of National Accreditation Board for laboratory. This will enable the Laboratory the calibration of Accu-Check and other Standard meters.

Study for use of Energy efficient transformers for distribution areas.

4. Expenditure on R & D

No expenditure on R & D of capital or recurring nature has been incurred.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

Deployment of Automated Meter Reading (AMR) System for HT consumers

2. Benefits derived as a result of the above efforts.

Implementation of AMR for HT consumers contributes to significant process improvements for load survey, tamper and theft billing with on line monitoring and immediate access to data.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information is furnished.

Not Applicable

For and on behalf of the Board,

Vadodara
22nd December, 2006

L.Chuaungo
Chairman

Madhya Gujarat Vij Company Limited

ADDENDUM TO THE DIRECTORS' REPORT

Management Replies to the Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of Madhya Gujarat Vij Co. Limited, Vadodara, for the year ended March 31, 2006.

Para No.	Comments of the Comptroller and Auditor General of India	Management Replies
I.	BALANCE SHEET Cash and Bank Balance Remittance in transit Rs. 34.22 Crore The above includes Unreconciled difference of Rs. 1.09 crore between balances outstanding as per control ledger and detailed records maintained by the Company. The fact regarding non-reconciliation of remittance in transit was not disclosed in notes on accounts.	The unreconciled difference of Rs.1.09 crore is resultant of various inter-company transactions and the same is appropriately disclosed in Note No.7 (ii) of Schedule-30 – "Notes on Accounts". Further, during the current financial year 2006-07, the detailed records are scrutinized and the said difference is identified. Accordingly, necessary corrective action has been taken in F.Y. 2006-07.
II.	Profit and Loss Account Other Miscellaneous Expenses (Schedule 22) Bad and doubtful debts written off Rs. 34.03 lakh Miscellaneous Losses and Write off Rs.25.02 lakh The above is overstated by Rs. 41.41 lakh (Bad & doubtful debts written off Rs. 34.03 lakh & Miscellaneous losses and write off Rs. 7.38 lakh) due to non-adjustment of the same from provision for Bad and doubtful debts. Consequently profit is understated to that extent.	As per Financial Restructuring Plan (FRP) approved by the Govt. of Gujarat, final Opening Balance Sheet of the Company was notified by Govt. on 3.10.2006, which included the opening balance of bad debt provision assigned to the company. In consonance to that, the expenses of bad debts and misc. losses incurred during the year were to be adjusted against the aforesaid provision. However, having regard to above peculiar circumstances, the C&AG's comment for omission is noted.
	Sd/- ACCOUNTANT GENERAL 15th February, 2007	For and on behalf of the Board Managing Director Director Vadodara 17th February, 2007

AUDITORS' REPORT

To,

The Members,

MADHYA GUJARAT VIJ COMPANY LIMITED.

We have audited the attached Balance Sheet of MADHYA GUJARAT VIJ COMPANY LIMITED as at 31st March, 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We had 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 mis-statement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The company is governed by the provisions of the Electricity Act, 2003 read with rules and the regulations issued there under. The Section 616(C) of the Companies Act, 1956, also provides that special Acts like Electricity Act, will apply to the extent the provisions of the Companies Act are inconsistent with provisions of those Acts. Accordingly, the financial statements of the Company for the year 2005-06 are compiled and reported.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board, in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, with special attention drawn to the following notes contained in Schedule 30 "Schedules forming part of Financial statements", in appreciating the financial statements under review,

Note Number: 1(B)(ii) Equity Share Capital Suspense Account, Note Number: 3 Registration of charge in-respect of proportionate Secured Loans transferred by erstwhile Gujarat Electricity Board (GEB-erst), Note Number: 4 relating to **Legal ownership (titles) of immovable properties**, Note Number: 5 relating to **Compensation of usage of inter company assets**, Note Number: 6 relating to assessment of adequacy of transferred balance in relation of various **Staff Welfare schemes**, Note Number : 7 relating to **Inter Division & Circle / Inter Company Account** , Note Number: 8 relating to non disclosure of the dues to prescribed category of SSI undertaking, Note Number: 9 relating to balances of debtors and creditors etc., being subject to independent confirmation, Note Number: 10 relating to **Treatment of Capital work-in-progress and charge of depreciation**, and read with other notes contained in schedule 30 and having specific regard to the facts and peculiar circumstances stated in para (A) of the Schedule 29, we report as under :

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

Madhya Gujarat Vij Company Limited

- (b) In our opinion, proper books of accounts, as required by law have been kept by the Company, so far as it appears from our examination of those books.
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Profit and Loss Account, Balance Sheet and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 except where stated otherwise in Schedule 29.
- (e) According to Notification No. GSR 829 (E) dtd. 17.7.2003 issued by Govt. of India, the provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to the Company.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give 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 (as stated otherwise in the significant accounting policies mentioned in Schedule 29 and notes on account in schedule 30) :-
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006
 - (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date and
 - (iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

for MODY & MODY CO.
Chartered Accountants

Place : Vadodara

(DHIREN Y. PARIKH)

Date : 28-11-06

PARTNER

Annexure to the Auditors' Report

(Referred to in paragraph (1) of our report of even date)

In our opinion and on the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that :-

(i) Fixed Assets

- (a) The Company has generally maintained records of fixed assets. However, the company is in the process of updating records of fixed assets from the records made available from Gujarat Electricity Board (GEB-erst) to show full particulars including quantitative details and situation of its fixed assets and reconciling the same with the fixed assets register.
- (b) The Fixed assets have not been physically verified by the management during the year. As fixed assets are physically not verified by the management, we are not in position to comment on discrepancies between physical and book balances.
- (c) No substantial part of fixed assets affecting going concern has been disposed off during the year.

(ii) Inventory

- (a) We are informed that physical verification of inventory had been conducted by the management once during the year. In view of the nature and size of the company, the frequency of such verification requires to be increased to make it commensurate with the nature, size and spread of the business of the company.
- (b) The procedures of physical verification of stock are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company has maintained proper records of inventory and no material discrepancies, as compared with records maintained, were noticed on physical verification referred to in Para (ii)(a) above.

(iii) Loans and Advances

- (a) The Company has not granted any loans, secured or unsecured, to or from Companies, firms or other parties listed required to be listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) Since the Company has not granted any loans, no comments are required in respect of whether the rate of interest and other term and conditions on which Loans granted by the company, are prima facie prejudicial to the interest of the Company or not.
- (c) Since the Company has not granted any loans, no comments are required in respect of regularity of receipt of principal amount and interest.
- (d) Since the Company has not granted any loans, no comments are required in respect of steps taken for the recovery of overdue amount.
- (e) The Company has not taken any loans, secured or unsecured, to or from Companies, firms or other parties required to be listed in the Register maintained under Section 301 of the Companies Act, 1956.

(f) Since company has not taken any loans, no comments are required in respect of rate of interest and other terms and condition on which loan/deposits accepted by the company, are prima facie prejudicial to the interest of the company or not.

(g) Since company has not taken any loans, no comments are required in respect of regularity of payments of principal amount and interest.

(iv) Internal Control System

In our opinion, the internal control system for the purchase of inventory and fixed assets and for the sale of electricity and services is commensurate with the size of the company and nature of the business. However, in our opinion, the internal controls need to be strengthened with regard to debtors, material issued to fabricators / contractors, transactions with respect to inter company/ inter unit and capital work in progress. This being first year of our audit after commencement of commercial operations, we are not in a position to report whether the weaknesses noticed are of continuing nature.

(v) Section 301

As per information and explanation given to us, transactions entered into by the company with Gujarat Urja Vikas Nigam Limited ("GUVNL" Holding company) and other successor companies of GEB-erst are not falling under the provisions of Section 301 of the Companies Act, 1956 and accordingly these transactions are not entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Paragraph 4 (vi) (b) of the order is not applicable.

(vi) Deposits from Public

The Company has not accepted any deposits from public as defined under rules framed under Section 58A and Section 58AA and any other relevant provisions of the Companies Act, 1956.

(vii) Internal Audit

The Company has its own internal audit system, which in our opinion; require further strengthening to make it commensurate with the size and nature of its business of the company. The company has outsourced the function of Internal Audit to the firm of Chartered Accountants. In our opinion, the scope and coverage of the said internal audit exercise need to be enlarged to make it commensurate with the size and nature of the business of the company.

(viii) Cost Records

The maintenance of cost records has been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956. The Company has appointed a firm of Cost Accountants for preparation of cost records. We have broadly reviewed such cost records and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) Payment of Statutory Dues

(a) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Custom Duty and Excise Duty, Cess and any other Statutory Dues were outstanding as on 31st March 2006 for a period of more than six months from the date they became payable.

- (b) Government of Gujarat has issued notification NO. GHU-2006-91-GUV-1106-590-K dated 3rd October, 2006 notifying the final opening Balance Sheet of the company as on 1-4-2005 comprising of the Company's own assets and liabilities. The statutory liabilities, which may arise in regard to the dealing before the date of transfer, shall vest in the Company, and therefore we are unable to comment on whether there are any unpaid dues on account of dispute in respect of sales tax, service tax, income-tax, customs duty, wealth tax, excise duty and cess are there or not.

(x) Accumulated Losses/ Cash Losses

The Company has neither accumulated losses at the end of the year nor incurred cash losses in the current financial year and in the immediately preceding financial year.

(xi) Repayments of Dues

The Company has been regular in payment of principal and interest in respect of short term loan from State Bank of Saurashtra. No comment could be offered in respect of apportioned balances of loan obtained by GEB-erst for common use by all its activities namely Generation, Transmission and Distribution etc.

(xii) Secured Loans and Advances

The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) Chit Fund / Nidhi / Mutual Benefit Fund / Societies

Since the Company is not Chit Fund / Nidhi / Mutual Benefit Fund / Societies, no comments are required under Paragraph 4 (xiii) of the order.

(xiv) Dealing or Trading in Shares, Securities etc.

Since the Company is not dealing or trading in shares, securities, debentures and other investments, no comments are required under Paragraph 4 (xiv) of the order.

(xv) Guarantee given in respect of loans taken by others

As per information given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) End Use of Term Loans Taken

The Term loans were applied for the purpose for which loans were obtained. No comment could be offered in respect of apportioned balance of loans obtained by GEB-erst for common use by all its activities namely Generation, Transmission, Distribution etc.

(xvii) Usage of Long Term and Short Term Funds

As per the information and explanation given to us, on overall basis, funds raised on short term basis have, prima facie, not been used for long-term investment.

(xviii) Preferential Allotment of Shares

Since the company has not made any preferential allotment of shares, no comments are required under Paragraph 4 (xviii) of the order.

Madhya Gujarat Vij Company Limited

(xix) Secured Debentures

Since the company has not issued debentures, no comments are required under Paragraph 4 (xix) of the order.

(xx) Disclosure of End Use

Since the company has not raised money by public issue, no comments are required to be given under Paragraph 4 (xx) of the order.

(xxi) Frauds

According to information & explanation given to us, no fraud / misappropriation on or by the company has been reported during the year.

Place : Vadodara

Date : 28-11-06

for MODY & MODY CO.
Chartered Accountants

(DHIREN Y. PARIKH)
PARTNER

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BALANCE SHEET AS AT MARCH 31, 2006

PARTICULARS	SCHEDULE NUMBER	AS AT 31 ST MARCH 2006 [Amount in Rupees]	AS AT 31 ST MARCH 2005 [Amount in Rupees]
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDERS FUND</u>			
Share Capital	1	5,00,900	5,00,900
Share Capital Suspense Account	2	2,67,90,00,740	0
Reserves & Surplus	3	1,15,04,69,708	0
<u>LOAN FUNDS</u>			
Secured Loans		0	0
Unsecured Loans	4	5,49,81,19,862	6,02,849
TOTAL		9,32,80,91,210	11,03,749
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
Gross Block	5	9,68,47,37,379	0
Less : Accumulated Depreciation.		1,41,77,75,709	0
Net Block		8,26,69,61,670	0
Assets not in Use	6	5,96,993	0
Capital works in progress.	7	59,73,75,096	0
TOTAL FIXED ASSETS		8,86,49,33,759	0
<u>INVESTMENTS</u>		0	0
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
Inventories	8	85,58,84,558	0
Sundry Debtors	9	2,09,90,77,087	0
Cash & bank balances	10	54,57,32,113	5,17,199
Loans & Advances	11	15,27,55,030	4,520
Other current assets.	12	94,26,04,776	1,316
TOTAL CURRENT ASSETS		4,59,60,53,564	5,23,035
LESS : CURRENT LIABILITIES & PROVISIONS	13	4,44,44,78,836	2,00,03,085
NET CURRENT ASSETS		15,15,74,728	(1,94,80,050)
DEFERRED TAX ASSETS	14	6,40,52,414	7,876
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	15	24,75,30,309	2,05,75,923
TOTAL		9,32,80,91,210	11,03,749
Significant Accounting Policies	29		
Notes Forming Part of Accounts	30		

As per our attached report of even date

For and on behalf of Board of Directors

For MODY & MODY COMPANY
Chartered Accountants

(DHIREN Y. PARIKH)
Partner

L.CHUAUNGO
Chairman

ANOOP SHUKLA
Managing Director

K.R. SHAH
General Manager (F&A)

K.M. ANTANI
Company Secretary

Place : Vadodara
Date : 28-11-2006

Place : Vadodara
Date : 28-11-2006

Madhya Gujarat Vij Company Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

PARTICULARS	SCHEDULE NUMBER	Year ended March 31, 2006 [Amount in Rupees]	Year ended March 31, 2005 [Amount in Rupees]
INCOME			
Revenue from Sale of Power	16	14,35,39,90,769	0
Revenue Subsidies and Grants	17	1,01,47,77,121	0
Other Income	18	49,77,69,015	0
TOTAL INCOME		15,86,65,36,905	0
EXPENDITURE			
Purchase of Power		13,41,99,01,766	0
Repairs and Maintenance	19	34,18,57,194	0
Employee Costs	20	1,16,69,32,275	0
Administration and General Expenses	21	21,16,88,989	0
Other Miscellaneous Expenses	22	1,01,28,329	0
Depreciation	23	34,73,32,125	0
Interest and Finance Charges	24	66,69,09,686	0
Sub-Total		16,16,47,50,364	0
Less: Other Expenses Capitalised	25	42,66,75,133	0
Sub-Total		42,66,75,133	0
Sub-Total		15,73,80,75,231	0
Extra-ordinary items	26	12,81,057	0
TOTAL EXPENDITURE		15,73,93,56,288	0
PROFIT /(LOSS) BEFORE TAX		12,71,80,617	0
Tax Expenses / (Income)	27	(4,46,14,193)	0
PROFIT /(LOSS) AFTER TAX		17,17,94,810	0
Net Prior Period Credit / (Charges)	28	23,37,119	0
Net Profit available for appropriation		17,41,31,929	0
Balance brought forward from last Balance Sheet		0	0
Balance carried to the Balance Sheet		17,41,31,929	0
Significant Accounting Policies	29		
Notes Forming Part of Accounts	30		

As per our attached report of even date

For and on behalf of Board of Directors

For MODY & MODY COMPANY
Chartered Accountants

L.CHUAUNGO
Chairman

ANOOP SHUKLA
Managing Director

(DHIREN Y. PARIKH)
Partner

K.R. SHAH
General Manager (F&A)

K.M. ANTANI
Company Secretary

Place : Vadodara
Date : 28-11-2006

Place : Vadodara
Date : 28-11-2006

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

Sr. No.	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2006 (Amount in Rupees)
	Cash Flow from Operating Activities	
	Net Profit Before Tax	12,71,80,617
	Adjustments For : : Add / (Less) :-	
	Prior Period Credit / Ch. (Sch-28)	23,37,119
	Other Miscellaneous Expenses (Sch-22)	1,01,28,329
	Profit on Sale of Fixed Assets	(7,68,523)
	Provision for Leave Encashment	5,77,67,393
	Depreciation (Sch-23)	34,73,32,125
	Interest and finance charges (Sch-24)	66,69,09,686
	Extra-Ordinary Items (Sch-26)	12,81,057
	Operating Profit Before Working Capital Changes	1,21,21,67,803
	Adjustments for Changes in Working Capital (Increase) / Decrease in Current Assets	(48,27,91,011)
	Increase / (Decrease) in Current Liabilities	2,56,75,09,533
	CASH GENERATED FROM OPERATIONS	3,29,68,86,325
	Direct Tax Paid (including FBT)	93,69,995
	CASH FLOW BEFORE EXTRAORDINARY ITEMS	3,30,62,56,320
	Extra-Ordinary Items (Sch-26)	(12,81,057)
A.	NET CASH FROM OPERATING ACTIVITIES	3,30,49,75,263
	CASH FLOW FROM INVESTING ACTIVITIES	
	Purchase of Fixed Assets	(2,24,08,13,761)
	Sale of Fixed Assets	1,51,63,765
	(Increase) / Decrease in CWIP	(2,27,24,019)
	(Increase) / Decrease in Assets not in use	(84,494)
B.	NET CASH FROM IN INVESTING ACTIVITIES	(2,24,84,58,509)
	CASH FLOW FROM FINANCING ACTIVITIES	
	Proceeds From Borrowings	64,85,25,683
	Proceeds from Consumer Contribution / Grants / Subsidies	(71,96,51,618)
	Interest Paid	(66,69,09,686)
C.	NET CASH USED IN FINANCING ACTIVITIES	(73,80,35,621)
	NET INCREASE IN CASH & CASH EQUIVALENTS(A+B+C)	31,84,81,133
	Cash and Cash Equivalent Received from Erstwhile GEB	22,67,33,781
	CASH AND CASH EQUIVALENT AS AT 1-4-2005 (OP.BAL)	5,17,199
	CASH AND CASH EQUIVALENT AS AT 31-3-2006 (CL.BAL)	54,57,32,113

Note : The above cash flow has been prepared under the Indirect Method as setout in the Accounting Standard-3 on Cash Flow Statement.

As per our attached report of even date

For and on behalf of Board of Directors

For MODY & MODY COMPANY
Chartered Accountants

L.CHUAUNGO
Chairman

ANOOP SHUKLA
Managing Director

(DHIREN Y. PARIKH)
Partner

K.R. SHAH
General Manager (F&A)

K.M. ANTANI
Company Secretary

Place : Vadodara
Date : 28-11-2006

Place : Vadodara
Date : 28-11-2006

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 1 SHARE CAPITAL

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Authorised Share Capital 50,00,00,000 Equity Shares each of Rs. 10 each	5,00,00,00,000	5,00,00,00,000
Issued, Subscribed and Paid-up Capital 50,090 Equity Shares each of Rs. 10 each fully paid-up (Previous year 50,090 Equity Shares) held by the holding company Gujarat Urja Vikas Nigam Limited and its nominees.	5,00,900	5,00,900
TOTAL	5,00,900	5,00,900

SCHEDULE : 2 EQUITY SHARE CAPITAL SUSPENSE ACCOUNT

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Share Capital Suspense Account	2,67,90,00,740	0
TOTAL	2,67,90,00,740	0

See note No : 1 (B)(ii) of Schedule : 30

SCHEDULE : 3 RESERVES & SURPLUS

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
<u>Reserves</u>		
Consumer Contribution	15,60,90,344	0
Subsidies towards Cost of Capital Assets	13,40,56,939	0
Grants towards cost of Capital Assets	2,66,37,496	0
Consumer Contri. towards Capital Assets	65,95,53,000	0
<u>Surplus</u>		
Surplus as per Profit & Loss Account	17,41,31,929	0
TOTAL	1,15,04,69,708	0

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SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 4

UNSECURED LOANS

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
<u>Borrowings for Working Capital</u>		
State Bank of Saushtia - Short Term loan (Corporate Guarentte given by G.U.V.N.L.)	50,00,00,000	0
Temporary Borrowings (Allocated by G.U.V.N.L)	95,89,43,806	0
<u>Borrowings (Allocated by G.U.V.N.L)</u>		
Public Bonds	1,92,71,23,517	0
Deferred Payment Credit	1,25,04,79,388	0
Loan from Power Finance Corporation	29,70,000	0
Loan from Rural Electrification Corporation	19,78,41,262	0
Loans from others.	0	6,02,849
Total Loans	4,83,73,57,973	6,02,849
<u>State Government Loans(Allocated by G.U.V.N.L)</u>		
Loan under APDP	17,49,34,813	0
ADB Prog. & Proj. Loan	48,58,27,076	0
Total State Government Loans	66,07,61,889	0
TOTAL	5,49,81,19,862	6,02,849

Amount due within one year Rs.98.04 Lakhs (previous year Rs. Nil.)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 5
FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Addition through Government notification w.e.f. 01/04/05	Addition during the year	Deletion / Adjustment during the year	Balance at the end of This year	Addition through Government notification w.e.f. 01/04/05	Charge for the year	Deletion / Adjustment during the year	Balance at the end of This year	Net Assets at the end of the year	Net Assets in the Beginning of the year
Land & Land rights	37,38,142	11,044	0	37,49,186	0	0	0	0	37,49,186	37,38,142
Buildings	15,42,87,290	52,24,298	33,24,549	15,61,87,039	1,29,17,393	25,19,780	(20,409)	1,54,57,582	14,07,29,457	14,13,69,897
Hydraulic works	14,07,246	91,364	17,633	14,80,977	2,76,899	51,455	4,807	3,23,547	11,57,430	11,30,347
Other Civil works	1,94,97,073	5,77,227	0	2,00,74,300	16,07,197	3,21,621	0	19,28,818	1,81,45,482	1,78,89,876
Plant & Machinery	1,27,87,09,490	24,30,77,527	1,65,84,551	150,52,02,466	19,14,46,609	6,04,31,032	(55,002)	25,19,32,643	1,25,32,69,823	108,72,62,881
Lines & Cable Net Works	5,90,90,89,156	1,96,52,00,155	27,74,842	7,87,15,14,469	84,99,90,685	27,89,07,785	68,03,810	1,12,19,94,660	67,47,95,19,809	5,05,90,98,471
Vehicles	1,08,58,661	18,63,776	16,48,489	1,10,73,948	24,86,758	9,21,713	5,70,610	28,37,861	82,36,087	83,71,903
Furniture & Fixtures & Electrical Lightings	1,64,11,485	56,27,338	25,756	2,20,13,067	25,87,738	9,70,786	5,770	35,52,754	1,84,60,313	1,38,23,747
Office Equipments	2,73,72,205	1,91,41,032	4,680	4,65,08,557	38,76,721	33,07,953	79,471	71,05,203	3,94,03,354	2,34,95,484
Assets taken over from licensees pending final valuation*	4,72,05,860	0	2,72,490	4,69,33,370	1,29,01,506	0	2,58,865	1,26,42,641	3,42,90,729	3,43,04,354
TOTAL	7,46,85,76,608	2,24,08,13,761	2,46,52,990	9,69,47,37,379	1,07,80,91,506	34,73,32,125	76,47,922	1,41,77,75,709	8,26,69,61,670	6,39,04,85,102
Total of the Previous year	0	0	0	0	0	0	0	0	0	0

* The value and life of Assets taken over from the Licensee (Vadodara Mahanagar Palika) is provisional and subject to approval of the State Government.

** The provisional value of the assets has been directly debited to the respective account head of the fixed assets.

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SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 6

ASSETS NOT IN USE

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Written down Value of Obsolete / Scrapped Assets...		
Plant & Machinery	1,40,470	0
Lines & Cable Net Works	51,408	0
Vehicles	3,95,592	0
Furniture & Fixtures	6,060	0
Office Equipments	3,463	0
TOTAL	5,96,993	0

SCHEDULE : 7

CAPITAL WORKS IN PROGRESS

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Capital Works-in-progress.	56,56,64,723	0
Provision for completed works	49,40,838	0
Construction Facilities	0	0
Total Assets at Construction Stage	57,06,05,561	0
Advances to Suppliers / Contractors (Capital).	2,67,69,535	0
TOTAL	59,73,75,096	0

SCHEDULE : 8

INVENTORIES

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Stock of materials at Construction Stores	10,72,44,998	0
Stock of materials at Other Stores.	38,05,88,110	0
Materials at Site (O&M).	9,88,86,712	0
Materials in Transit.	1,47,02,153	0
Other Materials Accounts.	24,87,11,163	0
Mat.Stock Excess / Shortage Pending Investigation.	57,51,422	0
TOTAL	85,58,84,558	0

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 9

SUNDRY DEBTORS

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Sundry Debtors for Sale of Power	1,11,38,58,986	0
Provision for Unbilled Revenue.	1,42,53,67,488	0
Dues from PDC (Net of SD forfeited).	1,18,76,01,999	0
Sundry Debtors for Misc.Receipts from Cons.	5,49,06,638	0
Sub-Total	3,78,17,35,111	0
Less : Unposted Receipts.	4,52,210	0
Sub-Total	3,78,12,82,901	0
Less : Prov. for Doubtful Dues from Consumers.	1,22,39,80,371	0
Sub-Total	2,55,73,02,530	0
Less : Deferred ED & TSE from Consumers.	45,82,25,443	0
TOTAL	2,09,90,77,087	0
Out of the above -		
- Outstanding for a period exceeding six months.	55,42,28,220	
- Others	3,22,75,06,891	0
TOTAL	3,78,17,35,111	0
Debtors shown net of advance received.		

SCHEDULE : 10

CASH AND BANK BALANCES

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Cash on hand.	1,45,10,939	0
Balance with Banks.	18,88,92,803	67,199
Remittance in Transit.	34,21,65,326	0
Fixed Deposits with Banks	1,63,045	4,50,000
TOTAL	54,57,32,113	5,17,199

SCHEDULE : 11

LOANS AND ADVANCES

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
<u>Unsecured considered Good for which company holds no security other than the personal security.</u>		
Advances for O&M Supplies / Works.	95,39,529	0
Loans & Advances to staff -Interest Bearing.	12,40,57,005	0
Loans & Advances to staff -Interest free.	89,35,957	0
Advance Income Tax / deduction at source.	6,67,827	4,520
Advance Fringe Benefit Tax	63,07,426	0
Loans & Advances - Others.	32,47,286	0
TOTAL	15,27,55,030	4,520

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SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 12

OTHER CURRENT ASSETS

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Sundry debtors - Trading Account.	11,02,041	0
Income accrued but not due.	7,93,21,164	1316
Amt. recoverable from emp./ ex-employees.	22,54,222	0
Interest Accrued & Due on Staff Loans & Advances	24,76,212	0
Receivables from Government	4,29,733	0
Other Claims & Receivables.	26,263	0
Other Misc. Receivable from Govt Dept., Local Bodies	2,46,35,015	0
Deposits.	1,45,02,042	0
Amount recoverable from Licensees Account.	22,29,043	0
Financial Participation from Consumers	66,575	0
<u>Other Inter/Intra-company receivables from companies under the same management</u>		
- Gujarat State Electricity Company Limited	1,84,98,337	0
- Gujarat Energy Transmission Company Limited	2,61,05,903	0
- Gujarat Urja Vikas Nigam Limited	71,24,27,170	0
- Inter unit balances.	5,85,31,056	0
TOTAL	94,26,04,776	1,316

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 13

CURRENT LIABILITIES AND PROVISIONS

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
CURRENT LIABILITIES		
Liability for Capital Supplies / Works.	1,52,46,494	0
Liability for O & M Supplies / Works.	51,14,78,770	0
Staff related Liabilities.	2,99,82,355	0
Welfare Schemes	12,63,79,161	0
Deposits & Retentions from Supp. & Contractors.	10,82,49,721	0
Electricity Duty & Tax on sale of Ele. Payable to Govt.	23,09,92,98	0
Accrued / unclaimed amt. relating to Borrowings.	3,41,270	0
Other Liabilities and Provisions.	27,89,46,255	0
Security Deposit from Consumers in Cash	1,88,92,77,991	0
Interest payable on Security Deposit from Consumers	8,31,07,129	0
Deposits for Electrification & Service Conn. etc.	50,03,28,803	0
Other Inter/Intra-company payables from companies under the same management		
- Paschim Gujarat Vij Company Limited	4,29,31,241	0
- Uttar Gujarat Vij Company Limited	34,91,17,490	0
- Dakshin Gujarat Vij Company Limited	7,80,06,398	0
Sub Total	4,03,64,92,376	0
PROVISIONS		
Provision for Leave encashment	34,95,66,736	0
Provisions for expenses	3,89,73,438	1,99,95,020
Charge /Credit During the year	8,065	0
Provision for Income Tax	1,16,93,372	8,065
Provision for Wealth Tax	67,361	0
Provision for Fringe Benefit Tax	76,77,488	0
Sub- Total	40,79,86,460	2,00,03,085
TOTAL	4,44,44,78,836	2,00,03,085

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SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2006

SCHEDULE : 14

DEFERRED TAX

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
DEFERRED TAX ASSET		7,876
Deferred Tax Asset emerging out of;		
Carrying amount of fixed Assets	1,16,89,959	0
Provision for Leave Encashment	3,98,86,146	0
Provision for Gratuity	1,24,76,309	0
Deferred Tax Asset / (Liability) as at the end of the year	TOTAL	7,876
	6,40,52,414	

SCHEDULE : 15

MISCELLANEOUS EXPENDITURE

(To the extent not Written off)

PARTICULARS	AS AT 31ST MARCH 2006 [Amount in Rupees]	AS AT 31ST MARCH 2005 [Amount in Rupees]
Preliminary Expenses		
Opening Balance	2,05,14,284	2,05,14,284
Less: Written off during the year	41,02,857	0
Closing Balance	1,64,11,427	2,05,14,284
Preoperative Expenses		
Opening Balance	61,639	61,639
Less: Adjusted during the year	12,328	0
Closing Balance	49,311	61,639
Deferred Leave Encashment Liability		
Addition during the year	28,88,36,964	0
Less: Adjusted during the year	5,77,67,393	0
Closing Balance	23,10,69,571	0
TOTAL	24,75,30,309	2,05,75,923

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 16

REVENUE FROM SALE OF POWER

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Revenue from Sale of Power		
Domestic or Residential	2,91,61,29,591	0
Commercial	1,43,82,77,299	0
Industrial low & medium voltage	1,61,96,32,154	0
Industrial high voltage	5,45,75,39,929	0
Public lighting	15,27,24,406	0
Traction railways	1,34,88,46,381	0
Irrigation agricultural	68,10,13,606	0
Public water works and sew. pumps	27,46,18,154	0
Total revenue from sale	13,88,87,81,520	0
Electricity Duty & Tax on Sale of Electricity		
Ele. Duty - assessed	2,23,23,65,760	0
TSE-assessed	(11,45,417)	0
Total Duties & Taxes	2,23,12,20,343	0
Miscellaneous Revenue from Consumers...		
Meter Rent / Service Line Rental	24,87,84,520	0
Recoveries for Theft of Power / Malpractices	7,28,02,628	0
Wheeling charges Recoveries	5,70,193	0
Misc. charges from consumers	14,30,51,908	0
Total Miscellaneous revenue	46,52,09,249	0
Gross Revenue from sale of power	16,58,52,11,112	0
Less: Ele. Duty assessed (contra)	2,23,23,65,760	0
TSE assessed (contra)	(11,45,417)	0
TOTAL	14,35,39,90,769	0

SCHEDULE : 17

REVENUE SUBSIDIES AND GRANTS

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Agricultural Subsidy.	78,85,19,054	0
Grant for Energy Conservation.	11,77,76,092	0
Govt. Grants/Cons. contribution (Deferred amount 10% W.Back)	10,84,81,975	0
TOTAL	1,01,47,77,121	0

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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 18

OTHER INCOME

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Interest on Staff Loans and Advances.	1,51,31,637	0
Interest from Consumers	4,328	0
Delayed Payment Charges from Consumers	15,46,39,159	0
Income from Trading	72,54,519	0
Gain on sale of Fixed Assets	7,68,523	0
Income from Staff Welfare Activities.	44,676	0
Subsidies against Losses on account of Flood, Fire, Cyclone etc.	7,39,00,000	0
APDRP Grant	21,10,82,202	0
Miscellaneous Receipts.	3,49,43,971	0
TOTAL	49,77,69,015	0

SCHEDULE : 19

REPAIRS & MAINTENANCE

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Repairs and Maintenance to...		
Plant and Machinery.	3,47,87,095	0
Buildings.	82,84,384	0
Civil Works.	68,75,992	0
Lines, Cable Network etc.	28,32,26,744	0
Vehicles.	11,62,803	0
Furniture, Fixtures.	62,01,526	0
Office Equipments.	13,18,650	0
TOTAL	34,18,57,194	0

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 20

EMPLOYEE COSTS

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Salaries.	41,27,35,293	0
Overtime.	16,26,672	0
Dearness allowance & Dearness Pay.	31,34,55,099	0
Other allowances.	12,92,47,562	0
Bonus.	4,55,241	0
Total emoluments	85,75,19,867	0
Medical Expenses Reimbursement.	2,20,97,637	0
Leave Travel Assistance.	46,906	0
Earned leave encashment.	75,13,491	0
Leave Salary Contribution - Deputation Staff	7,25,810	0
Waival of O/s.HBA Loan & interest.	4,78,590	0
Death & accident compensation.	2,68,105	0
Payment under Workmen's Comp. Act.	11,26,796	0
Board's contri.Bombay Labour welfare Act.	1,56,221	0
EDLI - Administration charges.	15,810	0
Total Other Staff Costs.	3,24,29,366	0
Staff Welfare Expenses.	2,01,22,668	0
Terminal Benefits.	25,68,60,374	0
TOTAL	1,16,69,32,275	0

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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 21

ADMINISTRATION & GENERAL EXPENSES

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Administration Expenses		
Rent including Lease rentals	13,09,037	0
Rates and Taxes.	30,59,986	0
Penalties on Statutory Levies	49,600	0
Insurance.	1,34,159	0
Testing Charges	8,17,830	0
Fees & Exp. to Foreign Techn. for Cap. Projects	41,065	0
Annual Inspection & Installation Checking fees to Coll. of ED	45,96,259	0
Telephone, Postage, Telegram, Telex, Mobile Charges.	1,21,68,991	0
Legal Charges.	50,93,530	0
Audit Fees.	3,64,780	0
Consultancy Charges.	11,15,370	0
Technical Fees.	73,649	0
Other Professional fees and expenses.	19,62,253	0
Conveyance & Travel .	8,38,18,480	0
Total Administration Expenses	11,46,04,989	0
Other Expenses		
Admn. Charges for Restoration of damages	1,29,964	0
Fees & Subscription.	1,06,448	0
Books & Periodicals.	80,447	0
Printing & Stationery.	1,04,22,135	0
Expenses on Computer Billing & EDP Charges.	76,95,188	0
Advertisements (Other than purchase related).	14,43,691	0
Xerox copy Charges	23,86,048	0
Electricity Charges.	1,42,74,514	0
Water Charges.	3,95,042	0
Maintenance to Tree Plantations.	4,985	0
Entertainment.	1,49,523	0
Expenses on Meetings & Conferences.	1,91,756	0
Expenses for CISF.	1,29,717	0
Guest House Expenses.	10,07,590	0
Security Expenses	1,05,91,716	0
Miscellaneous Expenses.	1,63,71,636	0
Total Other Expenses	6,53,80,400	0
Freight & Other Purchase related expenses		
Freight.	84,97,093	0
Other Purchase Related Expenses.	1,91,60,263	0
Fabrication ch. Less:amt. absorbed in cost of fabrication	29,73,548	0
Total Freight & Other Purchase related expenses	3,06,30,904	0
Rev.Stamps on Receipts issued by the Board.	4,00,410	0
Expenditure on Training to Staff.	6,72,286	0
Total General Expenses	10,72,696	0
TOTAL	21,16,88,989	0

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 22

OTHER MISCELLANEOUS EXPENSES

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Small & Low Value Items Written - off.	1,08,030	0
Written down value of assets scrapped.	206	0
Bad & Doubtful Debts Written off / Provided for.	34,03,318	0
Miscellaneous Losses & Write-offs.	25,01,590	0
Deferred Revenue Expenses W.off/Sundry Expenses.	41,15,185	0
TOTAL	1,01,28,329	0

SCHEDULE : 23

DEPRECIATION

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 32, 2005 [Amount in Rupees]
Depreciation on Buildings	25,19,780	0
Depreciation on Hydraulic Works	51,455	0
Depreciation on Other Civil Works	3,21,621	0
Depreciation on Plant & Machineries	6,04,31,032	0
Depreciation on Lines & Cable Net Works	27,88,07,785	0
Depreciation on Vehicles	9,21,713	0
Depreciation on Furniture & Fixtures	9,70,786	0
Depreciation on Office Equipments	33,07,953	0
TOTAL	34,73,32,125	0

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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 24

INTEREST AND FINANCE CHARGES

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Int. on State Government Loans	7,66,83,064	0
Int. on Bonds	25,34,99,023	0
Interest on other Loans/Deferred Credits		
Interest on others	4,92,563	0
Int. on REC Loans	1,28,05,543	0
Int. on SIDBI DPG	6,20,32,658	0
Int. to Consumers on advance Payment	20,40,446	0
Int. on FP by Consumers	63,728	0
Int. on Loans from PFC	2,98,498	0
Interest to Consumers.	8,31,09,421	0
Total Int. on Cap. Liabilities	49,10,24,944	0
Int. on Borrowing for Working Capital.	10,12,67,257	0
Other Int. & Finance Charges		
Discount to Cons. for Timely Payment of Bills	4,71,749	0
Interest Charges - Licencees A/c	22,69,492	0
Other Interest	93,61,724	0
Cost of raising finance	15,06,935	0
Other charges		
Other Charges	3,56,98,633	0
Guarantee Fees	2,48,41,807	0
Banking Cash Transaction Tax	4,67,145	0
Sub - Total	17,58,84,742	0
TOTAL	66,69,09,686	0

SCHEDULE : 25

OTHER EXPENSES CAPITALISED

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Repairs and Maintenance Capitalised.	3,54,610	0
Employee Costs Capitalised.	35,10,14,374	0
Administration & General Expenses Capitalised.	7,52,48,903	0
Depreciation and Related Costs Capitalised.	57,246	0
TOTAL	42,66,75,133	0

Madhya Gujarat Vij Company Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE : 26

EXTRAORDINARY ITEMS

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
<u>Extraordinary Debits</u>		
Losses on account of Flood, Cyclone, Fire etc.	12,81,057	0
TOTAL	12,81,057	0

SCHEDULE : 27

TAX EXPENSES / (INCOMES)

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
Income Tax (MAT)	1,16,93,372	0
Deferred Tax	(6,40,52,414)	0
Wealth Tax	67,361	0
Fringe Benefit Tax	76,77,488	0
TOTAL	(4,46,14,193)	0

SCHEDULE : 28

NET PRIOR PERIOD CREDITS/(CHARGES)

PARTICULARS	YEAR ENDED MARCH 31, 2006 [Amount in Rupees]	YEAR ENDED MARCH 31, 2005 [Amount in Rupees]
<u>Prior Period Income / Gains</u>		
Excess provision for depreciation.	8,023	0
Other excess provision.	59,104	0
Other income.	43,39,088	0
Total prior period income	44,06,215	0
<u>Prior period expenses / losses</u>		
Other generation costs.	900	0
Employee costs.	5,17,070	0
Depreciation under provided.	3,478	0
Other excess provision.	4,28,098	0
Other Prior Period Adjustments.	11,19,550	0
Total prior period exp.& losses	20,69,096	0
'Net Prior period Credits /(Charges) TOTAL	23,37,119	0

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE: 29

SIGNIFICANT ACCOUNTING POLICIES.

A) Introductory :

Transfer of undertaking as per the Financial Reconstruction plan of the Government of Gujarat :

Pursuant to the enactment of the Electricity Act, 2003 and the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, Government of Gujarat (the Government) has issued various notifications, Government resolutions and Transfer Schemes for vesting of the assets, liabilities, proceedings and personnel from erstwhile Gujarat Electricity Board (GEB-erst) to the Government of Gujarat and then to reconstitute the same into initially six companies i.e. one Generation Company, one Transmission Company and four Distribution Companies. Madhya Gujarat Vij Company Ltd (MGVCL) is one of these four Distribution Companies, registered under the provisions of Companies Act, 1956.

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

Consequent on such transmission and transfer of shares to the nominees of GUVNL, the entire share capital of the Company is held by GUVNL and the Company has become the wholly owned subsidiary of GUVNL, a Government Company within the meaning of Section 617 of the Companies Act, 1956. The company having become the subsidiary of the a Government Company (GUVNL) w.e.f 1st April 2005, it is also became a Government Company by virtue of the operation of the provisions of the said Section 617.

As a major steps for implementation of Financial Restructuring Plan (FRP), Government of Gujarat issued notification No.GHU-2006-91-GUV-1106-590-K dated 3rd October, 2006 notifying the final opening balance sheet of the Company as on 1-4-2005 containing the values of the assets and liabilities of the Distribution activities which stood transferred from GEB-erst to the Company as specified in Annexure-E appended to the notification. Accordingly, the said values of the assets & liabilities have been taken in to as opening balances while preparing the Final Accounts for the year 2005-06.

Transfer of services of employees :

In accordance with provisions of Clause 4.5 of the notification No. GEB-1104-7318-K dtd. 31-12-04 issued by Govt. of Gujarat, services of all the employees of GEB-erst were transferred on "as is where is" basis with the same salary structure and service conditions to the respective transferee companies, pending the exercise of option by the employees and the issue of final absorption orders by the Govt. of Gujarat.

The Government issued final absorption orders vide Notification-No. GUV-1105-5163-K dtd. 29-09-05. Accordingly, the said employees were finally transferred to and absorbed in the Company w.e.f. 01-10-2005. The employee costs in respect of the employees w.e.f. 1.4.2005 and employees transferred during the year, from time to time, have been accounted for accordingly.

B) Accounting Policies/Principles:

- (1) The Company is engaged in the business of electricity distribution in Central Gujarat area and is governed by the provisions of the Electricity Act, 2003 and Gujarat Electricity Industry (Reorganization & Regulation) Act, 2003. The provisions of these Act read with the rules made there under prevail wherever the same are inconsistent with the provision of the Companies Act, 1956.

The Company prepares its financial statements under historical cost basis in accordance with Generally Accepted Accounting Principles (GAAP) and the Accounting Standards issued by the Institute of Chartered Accountants of India unless otherwise stated.

(2) Revenue Recognition :

- (i) Revenue from sale of power :

Revenue from sale of power are recognized on accrual basis of energy supplied in accordance with the tariff orders awarded by Gujarat Electricity Regulatory Commission (GERC) as applicable to the consumers.

- (ii) Misc. revenue from consumers.

Meter rent, recoveries from theft of power/malpractices, wheeling charges recoveries are recognized on accrual basis. Misc. charges from consumers are recognized on cash basis except when ultimate realization of such income is certain.

- (iii) Revenue subsidies:

Revenue Subsidies are accounted for on cash basis and the same are credited to profit and loss account.

- (iv) Other income :

- (a) Income from sale of scrap, amount received in respect of delayed payment charges, insurance claims are accounted for on the basis of actual realization.

- (b) Other income except mentioned above is recognized on accrual basis except when ultimate realization of such income is uncertain.

- (v) Amount in respect of Unclaimed Security Deposit, Earnest Money Deposit and Misc. Deposit of suppliers and contractors which is pending for more than three years and which, as per policy of management, is not payable, is considered as income.

(3) Fixed Assets :

- a) Fixed assets are stated at cost including all attributable charges properly incurred in erecting and bringing the asset into beneficial use. The opening gross value of fixed assets, accumulated depreciation and net block of fixed assets are stated at values notified by Govt. of Gujarat notification No. GUV-2006-91-GW-1106-590-K dt. 3rd October, 2006.

- b) Capital work- in -progress :

Capital work -in - progress includes the cost incurred on fixed assets that are not yet ready for the intended use and is capitalized whenever ready for use. All expenditures of construction division are allocated to the projects on pro rata basis to the accretion made to respective project. However, common expenditure of Corporate Office and field offices are

allocated to Capital work – in – progress at flat rate determined having regard to amount of allocable expenditure incurred during the year.

(4) Depreciation :

- i) Depreciation is provided on Straight Line Method as per rates prescribed in Schedule XIV to the Companies Act, 1956.
- ii) Any depreciable assets except office equipments and furniture & fixtures, having written down value below Rs. 5000/- have been fully charged to revenue in the year in which assets are purchased.
- iii) Depreciation on addition of fixed assets is provided on pro rata basis from the quarter, next following the quarter in which the asset is put to use.

(5) Preliminary Expenses / Pre-Operative Expenses :

Preliminary Expenses as well as Pre-Operative Expenses are amortized over a period of five years commencing from the financial year 2005-06.

(6) Inventories :

The Inventories of the Company have been valued on the following basis:

- (a) Consumable Stores and Spares - At cost (Weighted Average Method.)
- (b) Scrap - Net Realizable Value.

(7) Retirement Benefits :

i) Provident Fund

Contribution to Provident Fund is made to recognized provident fund as required by the relevant statutes and the rules.

ii) Gratuity

Liability towards gratuity payable to employees is continued to be covered by Gratuity scheme of Life Insurance Corporation of India (LIC). However the actual bifurcation of fund in the name of the company is yet to be made. The contribution payable under the scheme is charged to Profit and Loss Account of the company.

iii) Leave encashment

a) Prospective liability :-

Liability in respect of accumulated leave is accounted for by the Company on the basis of an actuarial valuation made by LIC.

Accordingly, the liability ascertained by LIC in-respect of the period of services starting from the year 2005-06 has been debited to the profit and loss account in accordance with accounting standard 15 pronounced by the Institute of Chartered Accountants of India.

b) Liability in respect of past services of "transferred employees":-

The Company has majority of employees, which are transferred from GEB-erst along with an ongoing distribution business related to a particular region, say central Zone. Along with

the employees' services, the liability in respect of accumulated leave is also inherited to the company as an essential condition of the transfer.

Since the Company has the advantage of inheriting the long standing loyalty and experience of these employees with an ongoing distribution business of GEB-erst, the Company has got evaluated the liability in respect of accumulated leave through LIC and created a provision in-respect there of. In view of the fact that the peculiar circumstances of the Company in this respect are not covered by the said Accounting Standard 15, the management has decided to exercise prudence and apply matching principle to the said liability, taking into consideration the commercial advantage accruing from the creation of said provision. Accordingly the amount attributable to their past year of services has been carried forward in the balance-sheet under the head "Miscellaneous Expenditure" as the "Deferred Revenue Expenditure" to be charged to Profit and Loss Account over a period of Five years starting from the current year.

- c) Payment made by the Company during the year in respect of accumulated leave of transferred employees retired during the year is debited to Profit & Loss Account since management is of the opinion that this liability has been crystallized/arisen in respect of the operations of the current year.

(iv) Leave Travel Concession

Expenditure on Leave Travel Concession to retiring employees is recognized on the basis of actual claim for reimbursement.

(8) Borrowing Costs:

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

(9) Taxation :

Tax expense for the current year, comprising current tax, deferred tax, fringe benefit tax, wealth tax are included in determining the net profit after tax for the year.

Provision is made for the current tax based on the tax liability computed in accordance with relevant tax rates and tax laws.

Provision is made for deferred tax assets/liability for all the timing difference, arising between taxable income and accounting income, beginning from the current year, as per the currently enacted tax laws. Adjustment to the deferred tax assets/liability due to reversal of timing difference, if any, would be made every year.

However deferred tax asset has not been provided for on timing differences existing as on 1st April 2005 allocated to the Company from GEB-erst, since in the opinion of the management the amount of difference is such that it seems virtually uncertain to be recovered within reasonable period of time in the near future.

(10) Provisions and Contingent Liabilities :

The Company recognizes a provision when there is a present obligation as a result of a an event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a Contingent Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

(11) Consumer contributions & Capital Grants :

Consumer Contribution and capital grants towards cost of capital assets are not reduced from cost of assets. All receipts of Consumer Contributions and capital grants received from 1-4-2005 are treated as deferred credit and 10% of the year end balance are transferred to Profit & Loss Account.

(12) Impairment of Assets :

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication of impairment exists, recoverable amount of the asset is estimated. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount so reassessed.

(13) Segment Reporting :

- (i) Business Segments:- The Company has only one activity namely 'Distribution of Electricity'. Accordingly, the Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India has been considered as not applicable.
- (ii) Geographical Segments :- The Company's operations are mainly confined within the State of Gujarat. The Company does not have material earnings outside Gujarat or outside India. As such, there are no reportable Geographical Segments.

(14) Intangible Assets :

The Company has policy to write off such expenditure in the year in which it is incurred.

(15) Adjustments in the accounts balances and write offs :-

In view of the fact that the Company has acquired/inherited the operating distribution activity related to a particular designated region from GEB-erst, during the year 2005-06, the year is considered to be the year of commencement of "Commercial Operation" of the company.

However, any adjustments made in profit and loss account and/or balance-sheet of the company on account of the difference in underlying accounting principles and accounting traditions followed by :-

- a) the GEB-erst as the Non profit / Public Utility Government department wedded to welfare principles rather than commercial motives, on one hand and
- b) the Company as the corporate entity having commercial objectives and governed by the principles of "Corporate Governance" and financial/accounting transparency,

in respect of the transactions included in the transferred balances shall be considered as the "Prior Period Adjustments" for proper disclosure in view of the principles of "prudence", though of course,

Madhya Gujarat Vij Company Limited

such adjustments would not be strictly governed by the circumstances envisaged in the Accounting standard number 5 dealing with "Prior period items etc"

(16) Prior period items:

All identifiable items of income and expenditure pertaining to prior period comprising within period starting from the commencement of commercial operations are accounted through net prior period credits/ (charges) as stipulated in the Accounting standard number 5 dealing with "Prior period items etc..." .

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE – 30

NOTES FORMING PART OF ACCOUNTS

1. Financial Restructuring Plan:

A) Allocation of, "Final Opening Balance Sheet", as transferred by erstwhile Gujarat Electricity Board (GEB-erst) effective from 1st April, 2005, (referred to in paragraph (A) contained in Schedule-29 of Schedules forming part of these Financial Statements).

(i) Value of assets, so transferred, were allocated in the books of the account of the company as follows :

Sr. No.	Allocation of Assets	Basis of Allocation
1	Fixed Assets	The gross values (cost of acquisition), accumulated depreciation and the net values are taken as per the fixed assets registers maintained at the Division/ Circle Offices of the Central Distribution Zone of the GEB-erst.
2	Capital work in progress	As per register maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
3	Total other Assets	As per register/records maintained at the Division / Circle Offices of the Central Distribution Zone of the GEB-erst.
4	Current Assets	Allocated to individual items of Current Assets on the basis of their respective values (balances) on 31.03.2005 as per the register/records maintained at the Division / Circle Offices of the Central Distribution Zone of the GEB-erst
5	Subsidy receivable from Government of Gujarat	As per records maintained at the Division / Circle Offices of the Central Distribution Zone of the GEB-erst.
6.	Investment	As per records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.

(ii) Value of liabilities so transferred were allocated in the books of the account of the Company as follows :

Sr. No.	Allocation of Assets	Basis of Allocation
1	Share Capital	Divided in to two parts :- a) Equity Share Capital – Balance as per Balance-Sheet as on 31-03-05 b) Equity Share Capital Suspense account – Pending determination of the nature/extent of the equity capital and other consideration, by GUVNL in consultation with the Government.
2	Long Term Loans and Short Term Loans (Unsecured Loan)	a) Those directly identifiable with the distribution undertaking of the Central Distribution Zone of the GEB-erst have been taken at those specific values. b) Those borrowing standing in common for generation, transmission and distribution functions as well as borrowings those were not identifiable with any of these specific activities have been taken at the value apportioned by the government.
3	Security Deposits from consumers	As per register maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
4	Current Liabilities	Allocated to individual items of Current Liabilities on the basis of their respective values (balances) on 31.03.2005 as per the records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst
5	Apportionment of total Loans of GEB-erst Long Term Rs.377.87 and Short Term Loans Rs. 107.08 crores	In absence of specific Govt. order for apportionment of Secured Loans or Multilateral Facility or of any Securities Sharing Agreement between GUVNL, transferee companies as well as the lenders, these loans have been considered as Unsecured allocated Loans from GUVNL. Note : Action has been initiated for execution of Facilities & Securities agreement between GUVNL, transferee companies and the lenders.
6	Loan raised during the year 2005-06 Rs.210.51crores	Loans raised by GUVNL for common usage of all the four transferee Companies and transferred the portion to the Company

B) Consideration for transfer or undertaking by GEB -erst

The said consideration has been divided into two parts :

(i) Equity Share Capital :

This represent the equity share capital of Rs. 10 each actually allotted by the Company in the year 2004-05 in the name of GEB-erst which were transmitted w.e.f 1st April, 2005, by operation of law in the name of Gujarat Urja Vikas Nigam Limited (GUVNL- Holding company)

(ii) Equity Share Capital Suspense Account :

Equity Share Capital Suspense Account represents the consideration payable, by the Company to GUVNL for the transfer of portion of net worth related to the Distribution undertaking from GEB-erst to be discharged in the form of issue of Equity Shares of Rs.10/- each. However in absence of any clarification from the Government in-respect of the actual division of the said amount in to face value and otherwise, the entire amount is shown as "Equity Share Capital Suspense Account." On clarification from the Government, statutory formalities will be complied.

2. Loan covered by the security document – transferred to the Company.

As per clause 3(2) of the Gujarat Electricity Industrial (Reorganization & Regulation) Act and Comprehensive Transfer Scheme, 2003 if the assets of the undertaking transferred are subject to security document in favour of third party (Lender) for any financial obligation or arrangement entered in to by GEB-erst and the said loans are required to be apportioned to different transferee companies, the Government, may, by order do so and upon such apportionment, the Security will be applicable, only to those apportioned liabilities, by operation of Law.

3. Registration of charge in-respect of proportionate Secured Loans transferred by GEB-erst:-

The Company has, under a scheme of transfer, acquired the properties, which are subjected to charges created by the GEB-erst, a transferor entity. As per the provisions of the Companies Act, the Company is required to register the charges in respect of all such assets with the Registrar of Companies, Gujarat State.

The Company has not been able to register the said charges in view of the following fact that the funds were borrowed for the operations of GEB erst, as a whole by creating appropriate charge over all its assets which are now distributed among various transferee companies, it has not yet been possible to link the amounts of the said Secured Loans with the related assets.

4. Legal ownership (titles) of immovable properties:

The immovable properties in respect of which the account balances have been transferred, are held in the name of GEB-erst. The procedure for the registration and /or transfer in the name of the Company has been initiated.

5. Compensation of usage of inter company assets

Consequent upon unbundling of business of GEB-erst, various assets including lands and buildings of other group companies are used by Companies other than the companies to which they virtually belonged under the scheme of transfer. In absence of any understanding for compensating the other company by the Company actually using the said assets, no provision has been made for any such charges receivable or payable to or by the Company. The Profit /Loss of the current year as well as the balances of the receivables/payables are said to be affected compared to the situation if these amounts would have been determined. However it is not possible even to roughly estimate such receivable and/or payable. Any formula whenever determined will affect the general reserve as well as the receivable and/or payable balances in the balance-sheet of that respective year.

6. Staff Welfare schemes :

Management is in process of ascertaining the adequacy and apportionment of all the fund grouped under the welfare scheme created by GEB-erst for the purpose of objective for which it is collected from employees. However, on determination of same the adjustment may have to be made in Profit & Loss Account to bring to them appropriate amount to be able to fully meet the obligation promised to employee from GEB-erst as determined in consultation with GUVNL.

7. Inter Division & Circle / Inter Company Account :

(i) Balances shown by inter divisional /circle accounts as well as head office v/s divisions (circle) accounts are under reconciliation. The net balance under reconciliation is amounting to Rs.585.31 lacs (debit) as on 31st March, 2006.

(ii) The balances in the accounts of holding Company and other five fellow subsidiary companies are under reconciliation. The respective closing balances of such companies are as follows :

Sr. No.	Name of Company	Closing balance as on 31.3.2006 (Amt. Rs.lacs) Debit/ (Credit)
a)	Gujarat Urja Vikas Nigam Limited (Holding Company)	7124.27
b)	Gujarat State Electricity Corp. Ltd. (Fellow Subsidiary Company)	184.98
c)	Gujarat Energy Transmission Corp. Ltd. (Fellow Subsidiary Company)	261.06
d)	Dakshin Gujarat Vij Company Ltd. (Fellow Subsidiary Company)	(780.06)
e)	Paschim Gujarat Vij Company Ltd. (Fellow Subsidiary Company)	(429.31)
f)	Uttar Gujarat Vij Company Ltd. (Fellow Subsidiary Company)	(3491.17)

The closing balances of the said companies as appearing in the books of accounts of the Company as on 31/03/2006 are subject to reconciliation. Hence, amount due to / from group Companies are subject to adjustments, after the accounts are fully reconciled.

In absence of details in respect of difference between the balances of inter-divisions & circles and inter company accounts, the amount by which profit/ loss and/or assets/ liabilities cannot be quantified.

8. Disclosure of the prescribed details in respect of the dues to small scale industries (as required by Schedule VI of the Companies Act, 1956) could not be given in view of the larger number accounts of vendors involved and difficulties in obtaining detailed information for confirming their status as small scale industries within the time available under the peculiar circumstances of the transfer as described in para "A" contained in Schedule-20 hereof. .

9. Balance in respect of sundry creditors, sundry debtors, loans and advances (debit / credit) as at 31.3.2006 have been taken as shown in the books of accounts only and are subject to independent confirmation and reconciliation.

Madhya Gujarat Vij Company Limited

10. Treatment of Capital work-in-progress and charge of depreciation:

There are some instances where assets are not capitalized for considerable time for want of technical certificate and other routine procedural requirements despite being put to use. Accordingly, depreciation on the same has been undercharged.

11. The Contingent Liabilities not provided for :

(Rs. In Lacs)

Contingent Liabilities in respect of	As at 31 st March	
	2006	2005
a) Unexpired Bank Guarantees issued by Banks	Nil	Nil
b) Letters of Credit issued by Banks	Nil	Nil
c) Bill discounted with Bank.	Nil	Nil
d) Sales Tax demand in Appeal/Dispute	Nil	Nil
e) Income Tax demand in Appeal / Dispute (not provided for)	Nil	Nil
f) Claims against company not acknowledged as debt.	1065.00	Nil

12. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 4600.38 lakhs (Previous Year Rs.Nil).

13. Segment Information

The Company is principally engaged in the business of distribution of electricity and ancillary activities. Accordingly, there is only one reportable segment as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India on "Segment Reporting".

14. Related Party Disclosures

As per Para 9 of AS 18 on "Related Party Disclosure", no disclosure is required in the financial statements as regards related party relationships with other state-controlled enterprises and transactions with such enterprises.

15. Managerial Remuneration

(Amount in Rupees)

Particulars	For the period ended 31 st March	
	2006	2005
Salaries	1,22,952	Nil
Allowances	1,965	Nil
Medical reimbursement	16,199	Nil
Total	1,41,116	Nil

16. Auditors' Remuneration:

Statutory Auditor :

(Amount in Rupees)

Particulars	For the period ended 31 st March	
	2006	2005
Audit	3,25,000	10,000
Others (Out of pocket expenses)	25,000	Nil
Total (Excluding of Service Tax)	3,50,000	10,000

17. Management is of the opinion that the current assets, loans and advances are good and recoverable and are approximately of the values, if realized in the ordinary courses of business unless and to the extent stated other wise in the Accounts.

18. Subject to the notes hereof and the method of accounting followed by the Company, management is of the opinion that the provision for all known liabilities is adequate and not in excess of amount reasonably necessary and that there are no Contingent Liabilities except those stated in the notes.

19. Expenses of GEB-erst :

Any short-fall between the actual payment made by the Company, of liability transferred from GEB-erst, and the corresponding provision made available from GEB-erst, has been debited to Profit & Loss Account. Management is of the opinion that such debits are in nature of the normal business expenditure under the peculiar transaction of split transfer of a running business undertaking.

20. Impairment of Assets :

As per assessment made by the management, the company has not suffered any impairment loss during the financial year 2005-06.

21. Borrowing Cost :

Borrowing cost capitalized during the year is Rs. NIL for acquisition of long term assets.

22. Valuation of assets retired from active use

As per Para 14 of Accounting Standard – 10 “Accounting for Fixed Assets” an item of fixed asset that has been retired from its active use and is held for disposal is to be stated at the lower of Net Book Value or Net Realizable Value (NRV).

In respect of all those assets of the companies which are identified as “retired from active use”, the management is of the opinion that the NRV is higher than their Net Book Value and that there was an upward trend in the scrap market. In view of this, there is no need to recognize any expected loss in the Profit & Loss Account.

23. Additional information pursuant to provision of paragraph 3,4C, 4D of the Part-II of Schedule VI to the Companies Act, 1956 is given to the extent possible in view of nature of business of the company.

(a) Nature of activity :- the Company is a utility industry and is mainly engaged in distribution of electricity and providing services ancillary to the main activity.

	Units (MUs)
Units Purchased inclusive of transmission losses	5457
Units Sold	4124
Transmission & Distribution Losses	1333

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

Madhya Gujarat Vij Company Limited

- (c) The value of consumption of directly imported and indigenously obtained raw material, components, stores and spares part and percentage of each to the total consumption.

(Amount in Rupees)

Particulars	For the period ended 31 st March	
	2006	2005
Indigenous		
1. Raw Materials	Nil	Nil
2. Spares	Nil	Nil
3. Components	Nil	Nil
Imported		
1. Raw Materials	Nil	Nil
2. Spares	Nil	Nil
3. Components	Nil	Nil

- d) Expenditure in foreign currency

(Amount in Rupees)

Particulars	For the period ended 31 st March	
	2006	2005
1. Payment for professional / consultancy fees	Nil	Nil
2. Payment for capital goods	Nil	Nil
3. Foreign travel expenses	Nil	Nil
4. Others	Nil	Nil

- e) Earning in foreign currency: Rs. Nil (previous year Nil)

- f) Remittance in foreign currency Rs. Nil (previous year Nil)

24. The current year's figures are not strictly comparable with that of previous year because the commercial operations of the Company started from the current year up on the transfer of distribution undertaking of Central Zone of GEB-erst to the company effective from 1.4.2005.

SIGNATURES TO SCHEDULE 1 TO 30

As per our attached report of even date

For and on behalf of Board of Directors

For MODY & MODY COMPANY

Chartered Accountants

(DHIREN Y. PARIKH)

Partner

L.CHUAUNGO

Chairman

ANOOP SHUKLA

Managing Director

K.R. SHAH

General Manager (F&A)

K.M. ANTANI

Company Secretary

Place : Vadodara

Date : 28-11-2006

Place : Vadodara

Date : 28-11-2006

Third Annual Report 2005-06

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. U40102GJ2003 PLC 42907 State Code 04
Balance Sheet Date 31-03-2006

II. Capital Raised during the year (Amount in Rs.)

Public Issue NIL Right Issue NIL
Bonus Issue NIL Private placement NIL

III. Position of Mobilisation and Development of Funds (Amount in Rs.)

Total Liabilities. 9,32,80,91,210 Total Assets 9,32,80,91,210

SOURCES OF FUNDS

Paid up Capital 5,00,900 Share Capital Suspense A/c.2,67,90,00,740
Reserves & Surplus 1,15,04,69,708 Secured Loans NIL
Unsecured Loan 5,49,81,19,862

APPLICATION OF FUNDS

Net Fixed Assets. 8,86,49,33,759 Investments NIL
Net Current Assets 15,15,74,728 Misc. Expenditure 24,75,30,309
Deferred Tax 6,40,52,414

IV. Performance of the Company (Amount in Rs.)

Turnover 15,86,65,36,905 Total Expenditure 15,73,93,56,288
Profit/Loss before tax. +12,71,80,617 Profit / Loss after tax + 17,17,94,810
Earning per share in Rs. 0.64 Dividend rate % NIL

V. Generic Names of Three principal products/services of the Company (as per monetary terms)

Item code No.(ITC code) NIL
Product Description: Distribution of Energy.

As per our attached report of even date

For and on behalf of Board of Directors

For MODY & MODY COMPANY

Chartered Accountants

(DHIREN Y. PARIKH)

Partner

L.CHUAUNGO

Chairman

ANOOP SHUKLA

Managing Director

K.R. SHAH

General Manager (F&A)

K.M. ANTANI

Company Secretary

Place : Vadodara

Date : 28-11-2006

Place : Vadodara

Date : 28-11-2006