

पावर सिस्टम ऑपरेशन कारपोरेशन लिमिटेड

(पावरग्रिड की पूर्ण स्वामित्व प्राप्त सहायक कंपनी)

POWER SYSTEM OPERATION CORPORATION LIMITED

(A wholly owned subsidiary of POWERGRID)



पंजीकृत एवं केन्द्रीय कार्यालय : प्रथम तल, बी-9, कुतुब इंस्टीट्यूशनल एरिया,
कटवारिया सराय, नई दिल्ली-110 016

Registered & Corporate Office : 1st Floor, B - 9, Qutab Institutional Area,
Katwaria Sarai, New Delhi - 110 016

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BOARD OF DIRECTORS



S K Chaturvedi
(Chairman up to 31.08.2011)



R N Nayak
(Chairman from 01.09.2011)



R T Agarwal
(Director from 16.05.2011)

Statutory Auditor

Arun Singh & Co. Chartered Accountants

Registered office

1st Floor, B - 9,
Qutab Institutional Area,
Katwaria Sarai, New Delhi - 110 016

Directors' Report

**To,
The Members,**

I, on behalf of the Board of Directors, present the Second Directors' Report of Power System Operation Corporation Limited (POSOCO) together with the audited Statement of Accounts, Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India for the Financial Year 2010-11.

Your Company was registered on 20th March, 2009 and obtained the Certificate of Commencement of Business on 23rd March, 2010. Employees working in System Operation Dept., NLDC and the RLDCs were transferred from POWERGRID to POSOCO on secondment basis. Government of India vide gazette notification dated 27th September, 2010 notified that, Power System Operation Corporation Limited shall be operating NLDC & RLDCs with effect from 1st October, 2010.

Moveable Assets and Liabilities of the RLDCs and NLDC have been transferred from POWERGRID to POSOCO for a purchase consideration of ₹70.90 Crore as on 1st October, 2010.

REVENUE STREAM of POSOCO

CERC notified 'Fee and Charges of Regional Load Despatch Centers and other Related Matters' Regulations on 18th September, 2009. The Regulations have ensured an independent revenue stream and financial autonomy for POSOCO. POSOCO being a knowledge base organization, human resource expenses have been segregated from other O&M charges and have been allowed separately. CERC has passed the orders on the Petitions filed by NLDC and RLDCs in Feb-March, 2011 for the control period 2009-14. Sixty two generators, forty one buyers (load) and seven inter state transmission licensees availing the services of the RLDCs and NLDC shall be paying the charges of the RLDCs and NLDC totaling to ₹934 Crores for the control period 2009-14.

FINANCIAL RESULTS

₹ Crore

| | 2010-11 |
|---|---------|
| Turnover | 116 |
| Gross Margin | 59 |
| Less: | |
| Depreciation | 31 |
| PBIT | 28 |
| PBT | 27 |
| PAT | 11 |
| APPROPRIATIONS | |
| Proposed Final Dividend | 3 |
| Provision for Dividend Tax on proposed final dividend | 1 |
| Transfer to LDC Development fund | 6 |

OPERATIONAL HIGHLIGHTS

During the year there was generation capacity addition of 12160 MW with total all India installed capacity of 173626MW.

Total Energy Met (All India basis) in 2010-11 was **811 BUs** representing a 5% increase over last year which was 768 BUs.

Peak Demand Met (All India basis) in 2010-11 was 111 GW representing a 9.6 % increase over last year which was 100.35GW.

Hydro Generation (All India) was 123 BU in 2010-11. It increased by 7% (8.4 BU) over last year.

Inter-Regional Exchange was 56 BU in 2010-11 representing a 7.7 % increase as compared to FY 2009-10, which was 52 BU.

UI billed was ₹10146 Cr in FY 2010-11. There is a 21.8% decrease as compared to FY 2009-10, which was ₹12987 Cr.

Frequency remained within the prescribed IEGC band of 49.5 Hz - 50.2Hz for most of the period. For new grid it was 91 % of time within the band and for SR Grid it was 88 % of time within the band. This could be achieved due to tightening of the frequency band as per IEGC Regulation and UI Regulation notified by CERC, due to better generation availability, round the clock monitoring and close vigil by system operator.

Note: All the figures are provisional.

OPERATIONAL FEEDBACK to CEA & CTU

NLDC Rules, 2005 specifies providing operational feedback for National Grid planning to CEA and CTU as one of the functions. A quarterly feedback on operational constraints faced in Power System Operation is being furnished to CEA and CTU. A feedback by system operator on congestion being experienced and likely congestion in foreseeable future helps planners and policy makers to optimize development of Power System.

MoU for FY 2011-12

POSOCO signed its maiden Memorandum of Understanding (MoU) with POWERGRID for the year 2011-12 as per the regulation of DPE on 25th March, 2011. The MoU includes various targets to be achieved by POSOCO during the FY 2011-12 including financial parameters, dynamic parameters and enterprise specific & efficiency parameters applicable to POSOCO. Keeping in view of the nature of operation of POSOCO, computation of the financial indicators (profit related ratios) and productivity related financial returns have not been taken as the index for evaluation of financial parameters. Instead, size related financial indicators - gross margin, gross sales and gross profit have been shown in targets. The MoU was signed by Sh. S.K. Chaturvedi, Chairman & Managing Director, POWERGRID and Sh. S. K. Soonee, Chief Executive Officer, POSOCO.

The targets set forth include implementation of web-based scheduling software, updating of operating procedures, restoration and black start procedures, settlement of large regulatory pool accounts and open access charges, capacity building of stakeholders and issuance of Renewable Energy Certificates etc.

DECLARATION of PAN INDIA TRANSFER CAPABILITY

Measures to Relieve Congestion in Real Time Operation Regulations, 2009 (notified in December 2009) entrusts the RLDCs and NLDC with the responsibility of assessing transfer capability on various Inter-regional corridors for facilitating interstate open access. A procedure for implementation of the above was prepared by NLDC and the RLDCs and was approved by the CERC. Monthly transfer

capability along with its subsequent revisions is being assessed in a transparent manner. Information regarding this is being maintained on NLDC website and is available for all the stakeholders.

SHORT TERM OPEN ACCESS INCLUDING POWER EXCHANGES

The total no. of transactions under Short Term Open Access during the year 2010-11 were 19883 and the total approved energy was 55.23 BUs. January, 2011 saw a record energy volume of 1428 MU transacted through the Power Exchanges. The total group of buyers & sellers who participated during this month was 1325. The highest volume 69.55MU traded on Power Exchanges in a single day was on 25th September, 2010.

INTRODUCTION of ANCILLARY SERVICES in INDIAN ELECTRICITY MARKET

CERC (Unscheduled Interchange Charges and Related Matters) Regulations, 2009 directed NLDC/ RLDCs to identify Ancillary Services to ensure grid security and safety. In accordance with the above, an approach paper on 'Ancillary Services in Indian Context' was developed by NLDC and RLDCs and comments of the stakeholders were invited. After considering the comments of all the stakeholders and subsequent discussions, a petition for introduction of Frequency Support Ancillary Service (Identified for Immediate Implementation) was filed with the CERC in November 2010.

PARTICIPATION in REGULATORY REFORMS PROCESS

A number of Regulations have been notified by the CERC, which include:-

- Fees and Charges of RLDCs and Other Related Matters Regulation, 2009
- Measures to Relieve Congestion in Real Time Operation Regulations, 2009
- Indian Electricity Grid Code, 2010
- Power Market Regulation, 2010
- Renewable Energy Certificate Mechanism, 2010
- Sharing of Interstate Transmission Charges and Losses, 2010
- Unscheduled Interchange Charges and related matters (Amendment) Regulations 2010
- Regulation of Power Supply Regulation, 2010

The RLDCs and NLDC have been giving feedback and inputs at various stages of formulation of the regulations pertaining to the design and operational aspects. All efforts are being made towards implementing these Regulations in letter and spirit.

LEVERAGING TECHNOLOGY: SYSTEM LOGISTICS

Increased complexity of Power System has necessitated the need for synchronized measurements using wide area measurements (WAMS) technologies. Synchrophasor measurements are provided by PMU (Phasor measurement units) and enable us to understand the dynamic behavior of the Power System. First PMU pilot project has been implemented in Northern Region (NR), in which PMUs have been installed at selected eight substations of the northern regional grid and data from all these locations transferred to Northern Region Load Despatch Centre. It has helped in improving the Power System visualization and grid event analysis. It has also helped in understanding the power system transients. Similar pilot projects are also being implemented in other regions.

POSOCO has signed an MoU with LD&C department of POWERGRID for replacement and up-gradation of existing SCADA/EMS and associated IT Infrastructure at all RLDCs and NLDC.

IMPLEMENTING AGENCY for SHARING of INTERSTATE TRANSMISSION CHARGES & LOSSES REGULATION 2010

The CERC Regulation on Sharing of Inter-State Transmission Charges and Losses was notified on 15th June, 2010. The new Transmission Pricing Mechanism is sensitive to distance, direction and quantum of flow as directed in the National Electricity Policy. NLDC has been designated as the Implementing Agency (IA) for the new Pricing Mechanism. Responsibilities of the IA included collection of all India Power System Data from the stakeholders, preparation and validation of network model and deriving the point of connection charges (PoC) results. Based on results submitted by the Implementing Agency, CERC has notified the slab rates for PoC Charges and Losses for the year 2011-2012 applicable from 1st July, 2011. As per the

orders issued by CERC, new rates notified by CERC under the new Transmission Pricing Mechanism have also been implemented for the transactions under the short term open access.

RENEWABLE ENERGY CERTIFICATE (REC) MECHANISM

REC is a market based instrument which will accelerate new investments in Renewable Energy Sector and introduce competition in purchase of renewable energy. Under this mechanism, the RE generator can now sell the electricity component locally at the price of conventional electricity and trade the environmental attribute in the form of REC separately. National Load Despatch Centre has been designated Central Agency under CERC's Regulatory Framework.

REC Mechanism was formally launched at Vigyan Bhawan, New Delhi on 18th November '10. The Launch included unveiling of an integrated web portal (www.recregistryindia.in) which grants access to key stakeholders for operating the REC Mechanism.

As on 31st July, 2011, 174 RE Generators have been accredited, 103 RE generators have been registered and 90619 RECs have been issued till date. Four successful REC Trades have taken place so far and 54139 RECs have been redeemed.

PARTICIPATION at INTERNATIONAL FORUMS

POSOCO participated in the CIGRE (International Council on Large Electrical Systems) 2010 Session held at Paris, France in August, 2010. A paper on "Experiences of Multiple Power Exchanges: A Case Study" was also presented during the session by the company.

A five day workshop of the TSO Comparison Group was held at New Delhi in Nov, 2010. The TSO Comparison Group is an International Group of Power System Operators. Its objective is to exchange information on the current and future operating practices for the purpose of benchmarking. Currently twenty two Transmission System Operators (TSOs) from across the world are members. The workshop was attended by thirty one participants from sixteen TSOs from across fourteen countries.



POSOCO participated in the annual Very Large Power Grid Operators (VLPGO) Steering Committee meeting at Madrid, Spain in October, 2010. VLPGO is a group of organizations from various countries across the world, operating power grids of size more than 50,000 MW. Twelve organizations across the globe are members of VLPGO. Participation at the international level in the VLPGO Working Groups, Workshops and Activities has benefited POSOCO by exchange of knowledge, new technology (such as Synchrophasors, Renewables, HVDC, Power System Restoration, Prevention of Blackouts, etc.) and best practices for Power System Operation.

A meeting of the SAARC Expert Group on Electricity was held at Udaipur in January 2011. The agenda for the meeting included consideration of the Road Map for SAARC Market for Electricity (SAME), consideration of the Work Plan in accordance with the TOR of the Expert Group, consideration/ review of revised draft Common Template on Common Aspects of Grid Inter-connection.

FORUM of LOAD DESPATCHERS

FOLD (Forum of Load Dispatchers) has been constituted by Forum of Regulators (FOR). NLDC has been designated as secretariat of FOLD. FOLD organized meetings to discuss various issues pertaining to system operation during the year which were attended by the Load despatchers at the state, regional and national level.

LEARNING and DEVELOPMENT ACTIVITIES

An MoU was signed between Jamia Milia Islamia (JMI) and POWERGRID to create a unique Industry Academia association. As a first initiative, the load despatchers of POSOCO will be trained and certified in the state-of-the-art SCADA laboratory of JMI.

POSOCO has taken an initiative for Certification of System Operators by an independent agency as recommended in the report on 'Manpower, Certification and Incentives for System Operation and Ring fencing of Load Despatch Centres' issued by Ministry of Power. A training program has been specifically designed by POSOCO and National Power Training Institute to meet the requirements of Power System Operation. The system operators from National/Regional/State Load Despatch Centres are

being trained at NPTI. The first Certification Exam is likely to be held in Nov, 2011.

POSOCO regularly organizes learning and development programmes for capability enhancement of its employees and stakeholders.

EMPLOYEE ENGAGEMENT INITIATIVES

The first ever Inter RLDC Cultural Meet and Handicraft Exhibition was organized in October, 2010. Eastern Regional Load Despatch Centre went on to win the POWERGRID Inter-Regional Cultural Meet held in November, 2010.

Other initiatives including in-house quizzes, picnics and celebration of National Festivals have been organized regularly throughout 2010-11.

MANAGEMENT DISCUSSIONS and ANALYSIS

In addition to the issues in the Directors Report, some issues have been brought out in report on Management Discussion & Analysis placed at **Annex – I**.

AUDITORS

Arun Singh & Co., Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2010-2011.

AUDITORS' REPORT and COMPTROLLER & AUDITOR GENERAL'S COMMENTS

The Statutory Auditors' Report to the shareholders does not contain any qualifications.

Office of Principal Director of Commercial Audit and Ex-officio Member, Audit Board-III, New Delhi vide letter dated 4th July, 2011 communicated that "On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956." Comments of the Comptroller & Auditor General of India are enclosed at **Annex-IV**.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the annual accounts for the year ended 31st March, 2011 the applicable accounting standards had been followed;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared accounts for year ended 31st March, 2011 on a going concern basis.

PARTICULARS of EMPLOYEES - Sec 217 (2A)

POSOCO mainly comprises the employees of all the 5 RLDCs, NLDC and POSOCO corporate centre of POWERGRID who have been deputed on secondment basis.

Presently POSOCO comprises of 451 employees with 256 executives and 195 non-executives spread across the five Regional Load Despatch Centers at Delhi, Kolkata, Mumbai, Bangalore & Shillong and National Load Despatch Center & POSOCO Corporate Center located at Delhi. The disclosure under Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended has not been made as there is no employee who is drawing remuneration as mentioned in the said rules.

CONSERVATION of ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are enclosed at **Annexure-III**.

CORPORATE GOVERNANCE

A report on the Corporate Governance, forming part of this report, together with the Certificate thereon is given at **Annexure II** of this Report.

POSOCO's BOARD

During the year few changes took place in the Board of the Company. Consequent upon having demitted the office of Director (Finance), POWERGRID, on account of superannuation, Shri J. Sridharan, resigned from the Directorship of Power System Operation Corporation Limited w.e.f. 30.04.2011 and Shri R.T. Agarwal (the then Executive Director (Finance), POWERGRID) was appointed as an Additional Director on the Board of Power System Operation Corporation Limited w.e.f. 16.05.2011.

Shri F.A. Vandrevala, independent Director on the Board of POWERGRID, who had been nominated on the Board of Power System Operation Corporation Limited, by POWERGRID also tendered his resignation w.e.f. 10.07.2011 (F/N) upon the completion of his tenure in POWERGRID.

At present, Shri S. K. Chaturvedi, Shri R.N. Nayak and Shri R.T. Agarwal are on the Board of the Company.

ACKNOWLEDGEMENT

The Board extends its sincere thanks to Ministry of Power, DPE, CEA, CERC, Regional Power Committee (s) and other stakeholders for extending their valuable support in operating the power system of the country, discharging the other functions assigned to POSOCO and above all POWERGRID for their patronage and direction.

For and on behalf of

POWER SYSTEM OPERATION CORPORATION
LIMITED



(S.K. Chaturvedi)
Chairman

Date : 26.07.2011

Place: New Delhi

Management Discussion and Analysis

Formation of POSOCO

Ministry of Power vide its notification dated 27.9.2010 has notified that POSOCO shall operate the five RLDCs and the NLDC w.e.f. 1.10.2010. As per section 28 of the Electricity Act, 2003 RLDCs are Apex bodies to ensure integrated operation in the concerned region. NLDC has been designated as Apex body to ensure integrated operation of National Power System vide Ministry of Power notification dated 2.3.2005. The RLDCs and NLDC are performing tasks of national importance and discharging the statutory functions in a fair, transparent and neutral manner assigned under the Electricity Act, 2003 and NLDC Rules notified by Ministry of Power.

To ensure financial self reliance, RLDC Fee and Charges Regulation has been notified by CERC on 18.9.2010 which governs the revenue stream of POSOCO. The human resource expenses are one of the most important and a major component of the entire expenditure of POSOCO and have been allowed separately in the Regulation. The Regulation facilitates financial autonomy for POSOCO and makes it self sustaining with out any budgetary support.

Employees in POSOCO have been transferred from POWERGRID on secondment basis and HR policies are in line with POWERGRID.

POSOCO is a knowledge based organization. The assets of the RLDCs and NLDC primarily comprise of SCADA and IT systems for operation of the Regional grids and National grid.

Power System Development Fund (PSDF)

CERC has notified the Power System Development Fund Regulations on 04.06.2010. The Power System Development Fund Regulations also provide for a managing committee comprising Head of NLDC, Head of RLDCs and other members as notified by

CERC. The secretariat of this Fund is also managed by NLDC.

Financial Discussion and Analysis

Fixed Assets:

Your Company's total fixed assets as on 31st March, 2011 after depreciation were ₹51.14 Crore. The fixed assets consist mainly of SCADA Hardware, Software and other equipments.

Loans and Advances

Your Company's total loans and advances as at 31st March, 2011 were ₹46.49 Crores. This includes loans to employees, others and advance tax amounting to ₹19 Crore.

Other Current Assets

Our other current assets as on 31st March, 2011 were ₹11.90 Crore being the accrued interest on flexi deposits with banks.

Sundry Debtors

Sundry Debtors amounting to ₹90.02 Crore consist mainly of receivables relating to fees & charges of the RLDCs and NLDC which were billed in the last week of March, 2011 after passing the orders by CERC in Feb-march, 2011.

Unsecured loan

Our company's unsecured loans were ₹89.35 crore comprising ₹40.31 Crore due to Power Grid Corporation Of India Ltd the Holding company on account of take over of loan liability in relation to the assets transferred and ₹49.04 crore being the loan taken from POWERGRID for working capital requirements.

Current liabilities

Your company's current liabilities as at 31st March, 2011 were ₹971.12 Crore comprising mainly on



account of designated accounts operated and maintained in terms of CERC Regulations.

Contingent liability

The contingent liability of ₹99.84 lakh is the demand of rent for the office and staff quarters accommodation raised by the WRPC, Mumbai for the financial year 2010-11 which is disputed by the company and company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of Power.

For and on behalf of
POWER SYSTEM OPERATION CORPORATION
LIMITED

(S.K. Chaturvedi)
Chairman

Date : 26.07.2011
Place: New Delhi

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

1. THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in the Company. It is a system by which business corporations are directed and controlled. POSOCO believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POSOCO's Governance process is focused towards its following mission :

- a 'mission critical activity' for uninterrupted, secure, reliable and quality power supply in the country
- a 'relentless pursuit' for optimization of precious power generating resources and minimization of inherent system losses
- a 'facilitator' for an efficient electricity market
- a 'vehicle' for equitable and fair use of the transmission infrastructure in the country
- a 'vital link' between the administrators, planners & regulators on one end and physical system on the other end.

The Board has also constituted an Audit Committee to have better and more focused attention on financial matters.

Management Discussion and Analysis is placed at Annex -I to Directors' Report.

The Company has complied with the conditions of the Corporate Governance and the disclosure requirements in that regard are given below:

2. Board of Directors:

2.1 Size of the Board

POSOCO, being the wholly owned subsidiary Company of POWERGRID is a Government Company within the meaning of Section 617 of the Companies Act, 1956. As per Articles of Association, the composition of the Board of Directors shall be as determined by the Hon'ble President / Government of India from time to time.

In terms of Articles of Association of the Company, the strength of our Board shall not be less than three Directors but not more than fifteen Directors. These Directors may be either whole-time Directors or part-time Directors or otherwise.

2.2 Composition of the Board

As on 31st March, 2011, 03 Directors on the Board of POWERGRID (the Holding Company of POSOCO), viz. Shri S.K. Chaturvedi, CMD, POWERGRID, Shri J. Sridharan, Director (Finance), POWERGRID and Shri R.N. Nayak, Director (Operations), POWERGRID and 01 independent Director of POWERGRID, viz. Shri F.A. Vandrevalla (in accordance with Article 40(a)(v) of the Articles of Association) were on the Board of Power System Operation Corporation Ltd.

The equity shares of the Company are not listed

2.3 Age Limit and Tenure of Directors

The age limit of the Chairman & Directors other than Independent Director nominated by POWERGRID is 60 years.

The tenure of Directors as on 31st March, 2011 was as follows:

| Name & Designation | Date of Joining on the Board* |
|---------------------------------|-------------------------------|
| Shri S. K. Chaturvedi, Chairman | 20.03.2009 |
| Shri J. Sridharan, Director | 20.03.2009 |
| Shri R.N. Nayak, Director | 29.09.2009 |
| Shri F.A. Vandrevale, Director | 20.10.2010 |

*The Directors on the Board of POWERGRID / Officials, who have been appointed as Directors in POSOCO shall cease to be on the Board of POSOCO on completion of their tenure / superannuation / withdrawal of nomination from POWERGRID.

2.4 Board Meetings and Attendance:

The meetings of the Board of Directors are normally held at the Registered office of the Company. Meetings are generally scheduled well in advance and the Notice, detailed Board agenda, management reports and other explanatory Board notes are circulated to the Directors. The members of the Board have complete access to all information of the Corporation. CEO, POSOCO is a special invitee to all Board Meetings.

During the financial year ended 31st March, 2011, five Board meetings were held on 25th May, 26th July, 6th August and 20th October of the year 2010 and 15th March, of the year 2011. The maximum interval between any two meetings during this period was 147 days. Details of number of Board meetings attended by Directors, attendance at last AGM, number of other directorship / committee membership (viz. Audit Committee and Shareholders' Grievance Committee as per DPE Guidelines) held by them during the year 2010-11 are tabulated below:

| Name of the Director | Meeting held during respective tenure of Directors | No. of Board Meetings attended | Attendance at the last AGM (held on 23.09.10) | No. of Other Directorship held on 31.03.11 | No. of Other Committee Membership held on 31.03.11 | |
|-----------------------------------|--|--------------------------------|---|--|--|--------|
| | | | | | Chairman | Member |
| Non executive Directors | | | | | | |
| Shri S. K. Chaturvedi Chairman | 5 | 5 | Yes | 8 | NIL | NIL |
| Shri J. Sridharan, Director | 5 | 5 | Yes | 2 | NIL | 1 |
| Shri R.N. Nayak Director | 5 | 5 | Yes | 2 | NIL | NIL |
| Shri F. A. Vandrevale # | 2 | 2 | N.A.# | 1 | 1. | N.A. |

Shri F.A. Vandrevale, an independent Director on POWERGRID Board had been appointed as an Additional Director on the Board of POSOCO on 20.10.10. Earlier, on completion of his tenure as Independent Director of POWERGRID w.e.f. 10.07.10, Shri F.A. Vandrevale had tendered his resignation from the Directorship of the Company w.e.f. 10.07.10. The Audit Committee of POSOCO was formed in the Board Meeting held on 15.03.2011. Hence, the question of compliance of the Clause relating to presence of Chairman of Audit Committee at the AGM (held on 23.09.2010) does not arise.

2.5 Information to be placed the before Board of Directors, inter alia, include:

The Board has complete access to any information with the Company. The information regularly supplied to the Board includes:

Annual operating plans and budgets and any updates.

Annual Accounts, Directors' Report, etc.

Quarterly results of the company.

Minutes of meetings of Audit Committee.

Disclosure of Interest by Directors about directorship and committee positions occupied by them in other Companies.

Other materially important information.

3. Committee of the Board of Directors

POSOCO Board has constituted an Audit Committee in its meeting held on 15th March, 2011, comprising the following Directors as members:

Shri F.A. Vandrevala, Part-time Director – Member & Chairman

Shri J. Sridharan, Director – Member

Shri R.N. Nayak, Director – Member

The powers, role, functions, etc. of the Audit Committee are governed by the Companies Act and Government Guidelines. No meeting of the Audit Committee was held during the year ended on 31st March 2011.

4. Compliance Officer

The Company has nominated a Compliance Officer on 16th May, 2011 for implementation of Guidelines on Corporate Governance issued by Department of Public Enterprises.

5. Remuneration of Directors

In the Board meeting of the Company held on 15.03.2011, sitting fee of ₹10,000/- had been approved to be paid to the independent Director nominated on the Board of POSOCO by POWERGRID. Apart from this, no remuneration is paid to any other Director.

6. General Body Meetings:

POSOCO has been set up as a wholly owned subsidiary of POWERGRID in terms of Govt. Directives dt.04.07.2008 for system operations. The Company obtained the Certificate of Commencement of Business on 23.03.2010 and the First Annual General Meeting of the Company was held on 23.09.2010.

Date, time and location of the above Annual General Meeting was as under:

| Year | Date | Time | Venue | Special Resolution |
|-----------|----------------------------------|----------|---|--------------------|
| 2009-2010 | 23 rd September, 2010 | 4.30p.m. | 1 st Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16. | NIL |

7. Disclosures

- (i) Details of related party transactions are included in the Notes to the Accounts as per Accounting Standard – 18 issued by the Institute of Chartered Accountants of India and notified by the Central Government in consultation with National Advisory Committee on Accounting Standards.

- (ii) The CEO of the Company has certified the financial statements to the Board.
- (iii) POSOCO do not have any material non listed Indian Subsidiary Company.
- (iv) There are no material individual transactions with related parties which are not in the normal course of business.
- (v) There are no material individual transactions with related parties or others, which are on an arm's length basis.
- (vi) There were no penalties or strictures imposed on the Company by any statutory authorities for non-compliance on any matter related to capital markets, during the year.
- (vii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2010-11 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

8. Means of Communication

The Company communicates with its shareholders through its Annual Report, General Meeting, Newspapers and disclosure through web site.

Information and latest updates and announcements made by the Company can be accessed at Company's website: [http:// posoco.in](http://posoco.in).

9. Code of Conduct

The Board of Directors of POWERGRID, the holding Company have laid down two separate Code of Business Conduct and Ethics – one for Board Members and another for Senior Management Personnel . The Senior management of POSOCO is on secondment basis from the holding company, i.e. POWERGRID. Hence, Code of Conduct applicable to POWERGRID is being followed.

10. Shareholders' Information

i) Annual General Meeting

| | | |
|-------|---|--|
| Date | : | 24 th August, 2011 |
| Time | : | 10.00 a.m |
| Venue | : | 1 st Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi – 110 016. |

ii) Financial Year

The Company's Financial Year is from 1st April to 31st March.

iii) Payment of dividend

The Board has recommended Dividend @10% for the Financial Year ended 31.03.2011, i.e. ₹ 3.06 crore.

iv) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

No GDRs/ADRs/Warrants or any Convertible instruments have been issued by the Company.

v) Location of POSOCO Plants

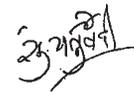
POSOCO has no plants.

vi) Address for correspondence:

Power System Operation Corporation Limited,
1st Floor, B-9, Qutab Institutional Area,
Katwaria Sarai,
New Delhi – 110 016.

| | Telephone No. | Fax No. |
|-------------------|------------------------|------------------------|
| Registered Office | 011-26536832, 26524522 | 011-26524525, 26536901 |
| website | www.nldc.in | |

For and on behalf of
POWER SYSTEM OPERATION CORPORATION LIMITED



(S.K. Chaturvedi)
Chairman

Date : 26.07.2011
Place: New Delhi

Non-Mandatory Requirements

- The Board:** The Company is headed by a non executive Chairman. No person has been appointed as independent director who has been a Director, in the aggregate, not exceeding a period of nine years on the Board of POSOCO.
- Audit qualifications:** The financial statement for the year 2010-11 has no audit qualifications.
- Training of Board Members:** A presentation on the following matters was given to the Directors:
 - Presentation on POSOCO as a whole was provided to the Directors so as to give them an insight into the functioning of the Company.
 - Presentation on issues concerning POSOCO.

Certificate on Corporate Governance

To

**The Members,
Power System Operation Corporation Limited**

I have examined the compliance of conditions of corporate governance by Power System Operation Corporation Limited, for the year ended on 31st March, 2011 as stipulated in the DPE Guidelines.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In my opinion and to the best of my information and according to the explanation given to me, I certify that that the Company has complied with the conditions of Corporate Governance except that the Audit Committee constituted on 15th March 2011 met on 16th May 2011 and the company nominated a Compliance Officer on the 16th May 2011 for implementation of the Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with the management has conducted the affairs of the Company.



(T.V. NARAYNASWAMY)
COMPANY SECRETARY

Date : 25.07.2011

Place: New Delhi

ANNEXURE-III TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

- A. Conservation of energy
It has been the endeavor of POSOCO to make all out efforts for conservation of energy in all its RLDCs and NLDC. The energy conservation measures are taken by carrying out the energy audit and reduction in energy consumption.
- B. Research and development
It has been the endeavor of POSOCO to pursue the use of latest technology for upgradation of the RLDCs and NLDC.
First PMU pilot project has been implemented in Northern Region (NR) to understand the dynamic behaviour of the Power System. It has helped in improving the Power System visualization and grid event analysis. It has also helped in understanding the power system transients.
- C. Foreign exchange earning and outgo
- | | (₹ in crore) |
|--|--------------|
| Foreign exchange earning | NIL |
| Foreign exchange outgo | |
| (i) Repair & maintenance of SCADA-EMS systems of RLDCs | 2.92 |
| (ii) Foreign training | 0.01 |

For and on behalf of
POWER SYSTEM OPERATION CORPORATION LIMITED


(S.K. Chaturvedi)
 Chairman

Date : 26.07.2011
Place: New Delhi

ANNEXURE - IV TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER SYSTEM OPERATION CORPORATION LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2011

The preparation of financial statements of Power System Operation Corporation Limited, New Delhi, for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16 May 2011.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Power System Operation Corporation Limited, New Delhi, for the year ended 31 March 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which give rise to any comment upon or supplement to Statutory Auditors' report under Section 619 (4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller & Auditor General of India

Sd/-

(M.K. Biswas)

**Principal Director of Commercial Audit &
Ex-officio Member Audit Board - III,
New delhi**

Place: New Delhi

Dated: 04 July 2011

ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards in India.

2. USE OF ESTIMATES

The preparation of the financial statements requires estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although such estimates and assumptions are made on reasonable and prudent basis taking into account all available information, actual results could differ from these estimates and assumptions and such differences are recognized in the period in which the results are crystallized.

3. RESERVES AND SURPLUS

LDC Development fund is created in terms of Central Electricity Regulatory Commission (fees and charges of the Regional Load Despatch Centre and other related matters) Regulations 2009. In terms of 9(2) of the regulations, the charges on account of return on equity, interest on loan, depreciation and other income of the Regional Load Despatch Centres and NLDC such as registration fee, application fee, short term open access charges etc. shall be deposited to the LDC development fund. The funds shall be utilised for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from financial institutions and funding R&D Projects. Any asset created out of the money deposited to the LDC development fund shall not be considered for computation of the return on equity and interest on loan.

4. GRANTS IN AID

4.1 Grants in aid received from Central Govt or other authorities towards capital expenditure for projects, betterment of system operation and specific depreciable assets are shown as "Grants-in-aid" till the utilisation of grant.

4.2 On capitalisation of related assets, grants received for specific depreciable assets are treated as deferred income and recognised in the profit and loss account over the useful period of life and in proportion to which depreciation on these assets is provided.

5. FIXED ASSETS

5.1 Fixed assets are shown at historical cost comprising of purchase price and any attributable cost of bringing the assets to its working condition for intended use.

6. CAPITAL WORK IN PROGRESS

6.1 Cost of material consumed, erection charges thereon along with other related expenses incurred for the projects are shown as CWIP till capitalisation.

6.2 Interest during construction apportioned to capital work in progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP .

7. CONSTRUCTION STORES

Construction stores are valued at cost.

8. BORROWING COST

8.1 All the borrowed funds (except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including, interest, and guarantee fee etc.) are allocated to the projects in proportion to the funds so earmarked.

8.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.

9. TRANSACTION IN FOREIGN CURRENCY

9.1 Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans, deposits and liabilities are translated or converted with reference to the rates on the date of the balance sheet.

9.2 FERV arising on transactions contracted prior to april 1 2004 is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets. For transactions contracted on or after 1 april 2004 the same is charged to profit & loss account irrespective of whether the project is under construction or operation

9.3 FERV in respect of current asset is taken to revenue.

10. REVENUE RECOGNITION

System operation and Market operation charges comprising RLDC fees and charges are recognised on the basis of tariff approved by CERC. Human Resource and Operation and maintenance expenses component of tariff are restricted to the actual expenditure. Charges towards projected capital expenditure are restricted to charges based on actual capital expenditure.

Any excess in collection of System Operation and Market Operation charges over the revenue recognised is transferred to the liability to be adjusted on truing up exercise by the CERC after the expiry of the control period.

10.1 Income from Short Term Open Access (STOA) is accounted for on the basis of regulations notified by CERC. Income on account of operating charges, scheduling and system operation charges from Short Term Open Access (STOA) in terms of the Central Regulatory Electricity regulatory Commission (Open Access in Inter State transmission) Regulations 2008 is accounted for as and when the bilateral /collective transactions takes place.

10.2 Non refundable application money from the Short Term Open Access (STOA) is accounted as income on receipt of application along with the fees.

10.3 Transmission charges collected for the disbursement to STUs/CTUs/SEBs/LTOAs from the Short Term Open Access (STOA) are passed on to the respective STUs/CTUs/SEBs/LTOAs . The unpaid amount as at balance sheet date is depicted as liability.

10.4 Supervision Charges

Overhead charges on account of supervision of SCADA AMC are accounted on accrual

basis

10.5 Registration fees

One time registration fees of new users and power exchanges is accounted for on accrual basis.

10.6 Liquidated damages/warranty claims and interest on advances to suppliers are accounted for on certainty.

10.7 Bank Interest earned on the fixed deposits lying in unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account and Inter regional exchange account are credited directly to respective Fund accounts.

10.8 Surcharge is being accounted for when no significant uncertainty as to measurability and collectability exists.

11. DEPRECIATION

11.1 The depreciation has been provided on straight line method at the rates and methodology specified in the norms notified by CERC for the purpose of recovery of RLDC fees and charges. With effect from 01/04/2009 (effective date of CERC Regulations, 2009), useful life has been considered/worked out prospectively based on the unamortized balance of such asset on the basis of the rate of depreciation specified by the CERC.

Mobile Phones have been depreciated at 33.33%

11.2 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life.

11.3 Assets costing ₹5000 or less or where the written down value is less than ₹5000 or less at the beginning of the year are charged to revenue.

12. EXPENDITURE

12.1 Pre-paid /prior period items up to ₹100000/ are accounted to natural heads of accounts.

12.2 Expenditure of research and development, other than Capital Expenditure, are charged

to revenue in the year of incurrence.

13. IMPAIRMENT OF ASSETS

Cash generating units as defined in AS-28 on "Impairment of Assets" are defined at the balance sheet date with respect to carrying amount vis-à-vis recoverable amount thereof and impairment loss, if any, is recognised in the profit & loss account. Impairment loss, if need to be reversed subsequently, is accounted for in the year of reversal.

14. EMPLOYEE BENEFITS

14.1 The liability for retirement benefits of employees in respect of gratuity, which is ascertained annually on actuarial valuation at the year end is provided and funded separately.

14.2 The liability for compensated absence (both for earned & half pay leave), leave encashment, post retirement medical benefits & settling allowance to employees are ascertained annually on actuarial valuation at the year end and provided for.

15. PROVISIONS AND CONTINGENT LIABILITIES

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

16. INCOME TAXES

Income taxes comprise current and deferred taxes. Current income taxes are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred income

taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

17. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

18. CASH FLOW STATEMENT

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

19. INTANGIBLE ASSETS

The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as an intangible assets in the books of accounts when the same is ready for use.



Balance Sheet As At 31st March, 2011

(₹ in crore)

| | Schedule No. | As at 31st March, 2011 | As at 31st March, 2010 |
|---|--------------|------------------------|------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Fund | | | |
| Share Capital | 01 | 30.64 | 0.05 |
| Reserves and Surplus | 02 | 46.28 | - |
| | | | 76.92 |
| | | | 0.05 |
| Deferred Revenue | | | |
| Grants in Aid | 03 | | 2.00 |
| | | | - |
| Loan Funds | | | |
| Unsecured Loans | 04 | | 89.35 |
| | | | - |
| TOTAL | | | 168.27 |
| | | | 0.05 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 05 | 276.78 | - |
| Less: Depreciation | | 225.64 | - |
| Net Block | | 51.14 | - |
| Capital Work-in-Progress | 06 | 0.69 | - |
| Construction Stores | 07 | 0.06 | - |
| | | | 51.89 |
| | | | - |
| Current Assets, Loans & Advances | | | |
| Sundry Debtors | 08 | 90.02 | - |
| Cash and Bank Balances | 09 | 994.57 | 0.05 |
| Other Current Assets | 10 | 11.90 | - |
| Loans and Advances | 11 | 46.49 | - |
| | | 1142.98 | 0.05 |
| Less: Current Liabilities & Provisions | | | |
| Current Liabilities | 12 | 971.12 | 1.28 |
| Provisions | 13 | 58.83 | - |
| | | 1029.95 | 1.28 |
| Net Current Assets | | | 113.03 |
| | | | (1.23) |
| Deferred Tax asset | | | 3.35 |
| Profit & Loss Account | | | - |
| | | | 1.28 |
| TOTAL | | | 168.27 |
| | | | 0.05 |
| Contingent Liabilities & Notes on Accounts | 19 | | |

Schedules 1 to 19 and Accounting Policies form an integral part of Accounts

(S. K. Soonee)
Chief Executive Officer

For and on behalf of the Board
(R. T. Agarwal)
Director

(S.K.Chaturvedi)
Chairman

As per our report of even date
For Arun Singh & Co.
Firm Regn. No. 011863N
(Ravi Kapoor)
Partner
M.No.095214

Place : Gurgaon
Dated: 16.05.2011

Profit and Loss account for the year ended 31st March, 2011

(₹ in crore)

| | Schedule No. | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
|--|--------------|-------------------------------------|-------------------------------------|
| INCOME | | | |
| Revenue from Operations | 14 | 97.31 | - |
| Other Income | 15 | 18.40 | - |
| TOTAL | | 115.71 | - |
| EXPENDITURE | | | |
| Employees' Remuneration & Benefits | 16 | 36.55 | - |
| Operation, Maintenance and Other Administrative Expenses | 17 | 20.51 | 1.28 |
| Depreciation | 05 | 30.92 | - |
| Interest and Finance Charges | 18 | 1.32 | - |
| TOTAL | | 89.30 | 1.28 |
| Profit Before Tax | | 26.41 | (1.28) |
| Less: Provision for Taxation | | 18.55 | - |
| Profit after Current Tax | | 7.86 | (1.28) |
| Add: Provision for Deferred Tax | | 3.35 | - |
| Profit after Tax | | 11.21 | (1.28) |
| Add: Balance of Profit/Deficit brought forward | | (1.28) | - |
| Total Amount Available for Appropriation | | 9.93 | (1.28) |
| Appropriation | | | |
| Proposed Dividend | | 3.06 | - |
| Provision for Corporate Dividend Tax | | 0.50 | - |
| Transfer to LDC Development Fund (Refer para No. 5 of Schedule 19 Notes on Accounts) | | 6.37 | - |
| Balance of Profit/Deficit carried over to Balance Sheet | | - | (1.28) |
| | | 9.93 | (1.28) |
| Earning per Share-Basic & Diluted [In ₹ per share] | | 7.33 | (256.04) |
| Face value of ₹ 10/- each | | | |
| Contingent Liabilities & Notes on Accounts | 19 | | |

Schedules 1 to 19 and Accounting Policies form an integral part of Accounts

For and on behalf of the Board

(S. K. Soonee)
Chief Executive Officer

(R. T. Agarwal)
Director

(S.K.Chaturvedi)
Chairman

As per our report of even date

For Arun Singh & Co.

Chartered Accountants
Firm Regn. No. 011863N

(Ravi Kapoor)
Partner
M.No.095214

Place : Gurgaon
Dated: 16.05.2011

Schedule 01 - Share Capital

(₹ in crore)

| Description | As at 31st March, 2011 | As at 31st March, 2010 |
|--|------------------------|------------------------|
| AUTHORISED | | |
| 20,00,00,000 (Previous Year 20,00,00,000) Equity shares of ₹10/- each | 200.00 | 200.00 |
| ISSUED SUBSCRIBED AND PAID-UP | | |
| 3,06,40,000 equity shares(previous year 50,000) of ₹10/- each fully paid up. | 30.64 | 0.05 |
| Of the above | | |
| 3,05,90,000 (Previous Year NIL) equity shares of ₹10/- each have been allotted as fully paid-up shares, in pursuant of agreement to sell assets without consideration being received in cash | | |
| 3,06,40,000 (Previous Year 50,000) equity shares are held by Powergrid Corporation of India Ltd-holding company and its nominees. | | |
| TOTAL | 30.64 | 0.05 |

Schedule 02 - Reserves & Surplus

(₹ in crore)

| Description | As at 1st April, 2010 | Additions During the year | Deductions/ Adjustments During the year | As at 31st March, 2011 |
|----------------------|-----------------------|---------------------------|---|------------------------|
| LDC development Fund | - | 46.28 | - | 46.28 |
| | - | 46.28 | - | 46.28 |
| TOTAL | - | | | 46.28 |

Schedule 03 - Grants in aid (Deferred revenue)

(₹ in crore)

| Description | As at 1st April, 2010 | Additions During the year | Deductions/ Adjustments During the year | As at 31st March, 2011 |
|---------------|-----------------------|---------------------------|---|------------------------|
| Grants in aid | - | 5.06 | 3.06 | 2.00 |
| | - | 5.06 | 3.06 | 2.00 |

Schedule 04 - Unsecured Loans

(₹ in crore)

| Description | As at 31st March, 2011 | As at 31st March, 2010 |
|---|------------------------|------------------------|
| Loan from Power Grid Corporation of India Ltd, Holding Company on account of take over of loan liability in relation to the assets transferred. | 40.31 | - |
| Other Loan from Power Grid Corporation of India Ltd-Holding Co. | 49.04 | - |
| Total | 89.35 | - |
| Due for repayment within one year | 89.35 | - |

Schedule 05 - Fixed Assets

(₹ in crore)

| Description | Gross Block | | | As at 31st March, 2011 | Accum. Depreciation of Assets taken over from POWER GRID as on 01 Oct.2010 | Depreciation | | Net Block | |
|--|---|---------------------------------|-----------------------------|------------------------|--|--|-----------------------------|------------------------|------------------------|
| | Addition of Assets taken over from POWER GRID as on 01 Oct.2010 | Other Additions during the year | Adjustments during the year | | | Additions during the Year | Adjustments during the year | As at 31st March, 2011 | As at 31st March, 2011 |
| Civil works | | | | | | | | | |
| a) RLDCs | 9.87 | - | - | 9.87 | 1.40 | 0.17 | - | 1.57 | 8.30 |
| b) Township | 0.05 | - | - | 0.05 | 0.01 | - | - | 0.01 | 0.04 |
| Temporary Erection | 0.10 | 0.01 | - | 0.11 | 0.09 | - | - | 0.09 | 0.02 |
| Water Supply Drainage & Sewerage | 0.03 | - | - | 0.03 | - | - | - | - | 0.03 |
| Plant & Machinery | | | | | | | | | |
| a) RLDCs | 2.36 | 0.14 | - | 2.50 | 0.61 | 0.06 | - | 0.67 | 1.83 |
| b) ULDC | 242.90 | 4.47 | - | 247.37 | 185.93 | 29.91 | - | 215.84 | 31.53 |
| c) Communication | 0.50 | 0.02 | - | 0.52 | 0.16 | 0.01 | - | 0.17 | 0.35 |
| Construction and Workshop equipment | 0.01 | - | - | 0.01 | 0.01 | - | - | 0.01 | - |
| Electrical Installation | 0.07 | - | - | 0.07 | 0.03 | - | - | 0.03 | 0.04 |
| Vehicles | 0.01 | - | - | 0.01 | - | - | - | - | 0.01 |
| Furniture Fixtures & Office equipment | 8.78 | 0.66 | 0.05 | 9.39 | 2.93 | 0.34 | 0.01 | 3.26 | 6.13 |
| EDP/WP Machines | 5.69 | 0.89 | 0.09 | 6.49 | 3.45 | 0.40 | 0.02 | 3.83 | 2.66 |
| Intangible Assets | 0.22 | 0.03 | - | 0.25 | 0.04 | 0.03 | - | 0.07 | 0.18 |
| Miscellaneous Assets/Equipment | 0.11 | - | - | 0.11 | 0.09 | - | - | 0.09 | 0.02 |
| Total | 270.70 | 6.22 | 0.14 | 276.78 | 194.75 | 30.92 | 0.03 | 225.64 | 51.14 |
| Previous Year | - | - | - | - | - | - | - | - | - |
| | | | | | | For the year ended 31st March, 2011 | | | |
| Depreciation (Addition during the year) | | | | | | 30.92 | | | |

Schedule 06 - Capital Work In Progress

| Description | (₹ in crore) | | | | |
|--|-----------------------|---------------------------|-------------|-----------------------------|------------------------|
| | As at 1st April, 2010 | Additions during the year | Adjustments | Capitalised during the year | As at 31st March, 2011 |
| Civil Works | | | | | |
| Regional Load Despatch Centre & Office(Incl. civil work) | - | 0.19 | - | - | 0.19 |
| Plant & Machinery (including associated civil works) | | | | | |
| ULDC | - | 0.48 | - | - | 0.48 |
| Incidental Expenditure during Construction | - | 0.02 | - | - | 0.02 |
| TOTAL | <u>-</u> | <u>0.69</u> | <u>-</u> | <u>-</u> | <u>0.69</u> |

Schedule 07 - Construction Stores

| Description | (₹ in crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| Construction Stores {Including Material in transit/pending issue to contractors and with contractors of ₹0.06 crore} | 0.06 | - |
| | <u>0.06</u> | <u>-</u> |

Schedule 08 - Sundry Debtors

| Description | (₹ in crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| Debts Outstanding for a period exceeding Six Months | | |
| Considered Good | - | - |
| Considered Doubtful | - | - |
| Other Debts | | |
| Considered Good | 90.02 | - |
| Total | <u>90.02</u> | <u>-</u> |

(Debtors are unsecured except to the extent of ₹ NIL(Previous year NIL) including amount due from Power Grid Corporation of India Ltd a company under the same management ₹3.60 crore maximum amount outstanding during the year ₹7.86 crore.

Schedule 09- Cash and Bank Balances

| Description | (₹ in crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| Cash, Stamps and Imprest | 0.01 | - |
| Balances with scheduled banks- | | |
| - In Current Accounts/Flexi deposit Account | 8.40 | 0.05 |
| - In designated current accounts/Flexi-deposit accounts operated & maintained in terms of CERC regulations (Refer para no. 4 of the schedule 19 Notes on Accounts) | 944.84 | - |
| - In L.D.C.Development Account | 41.32 | - |
| Total | <u>994.57</u> | <u>0.05</u> |

Schedule 10 - Other Current Assets

| Description | (₹ in crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| Interest accrued on: Flexi deposits | 11.90 | - |
| | 11.90 | - |

Schedule 11 - Loans and Advances

| Description | (₹ in crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| a) Loans to | | |
| -Employees [Including interest on employee loan of ₹3.06 crore (Previous Year NIL)] | 7.40 | - |
| b) Advances | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| Contractors & Suppliers | 1.14 | - |
| Employees | 3.18 | - |
| Others | 15.68 | - |
| | 20.00 | - |
| Less: Provision for bad and doubtful Advances and Claims | 0.05 | - |
| | 19.95 | - |
| Deposits with various authorities | 0.14 | - |
| Advance Tax & TDS | 19.00 | - |
| | 39.09 | - |
| TOTAL | 46.49 | - |
| Particulars of Loans and Advances | | |
| Secured | 3.88 | - |
| Unsecured Considered Good | 42.61 | - |
| Considered doubtful | 0.05 | - |
| | 46.54 | - |
| Less: Provision for Bad & Doubtful Claims | 0.05 | - |
| TOTAL | 46.49 | - |
| Due from Directors & Officers of the company | | |
| Directors | - | - |
| Officers | 1.39 | - |
| Directors Maximum Amount | - | - |
| Officers Maximum Amount | 1.68 | - |

Schedule 12 - Current Liabilities

| Description | (₹ in crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| Sundry Creditors | | |
| Other goods and services | 3.40 | 1.28 |
| | 3.40 | - |
| Advance from Customers | 7.80 | - |
| Liability on account of Truing up (Refer para No. 11 of Schedule 19 Notes on Accounts) | 6.51 | - |
| Deposits Retention money from contractors and others. | 8.09 | - |
| | 22.40 | - |
| Liabilities in respect of Designated accounts operated and maintained in terms of CERC Regulations (Refer Para no. 4 of the Schedule 19 Notes on accounts) | 945.32 | - |
| Total | 971.12 | 1.28 |

Schedule 13 - Provisions

| | (₹ in crore) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| Taxation (Including interest on Tax) | | |
| As per last balance sheet | - | - |
| Additions during the year | 18.55 | - |
| Amount adjusted during the year | - | - |
| | 18.55 | - |
| Employee Benefits | | |
| As per last balance sheet | - | - |
| Additions during the year | 24.88 | - |
| Amounts utilised/paid during the year | - | - |
| | 24.88 | - |
| Special incentive & PRP | | |
| As per last balance sheet | - | - |
| Addition during the year | 8.76 | - |
| Amount paid/adjusted during the year | - | - |
| | 8.76 | - |
| Provision for Retirement benefit/Wage revision | | |
| As per last balance sheet | - | - |
| Additions during the year | 3.08 | - |
| Amounts utilised/paid during the year | - | - |
| | 3.08 | - |
| Proposed Final Dividend | | |
| As per last balance sheet | - | - |
| Additions during the year | 3.06 | - |
| Amounts paid during the year | - | - |
| | 3.06 | - |
| Dividend Tax | | |
| As per last balance sheet | - | - |
| Additions during the year | 0.50 | - |
| Amounts paid during the year | - | - |
| | 0.50 | - |
| TOTAL | 58.83 | - |

Schedule 14 - Revenue from Operations

| | (₹ in crore) | |
|--|--|--|
| | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
| Revenue from System and Market Operation | 87.58 | - |
| Short Term Open Access-Other Charges | 9.73 | - |
| | 97.31 | - |

Schedule 15 - Other Income

| | (₹ in crore) | |
|--|--|--|
| Description | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
| Interest From | | |
| Indian Banks | 4.70 | - |
| Others | 0.16 | - |
| | 4.86 | - |
| Supervision Fees | 1.39 | - |
| Deferred Income (Transferred from Grants-in-aid) | 3.06 | - |
| FERV gain | 0.01 | - |
| Registration and STOA application Fee | 8.48 | - |
| Other Miscellaneous income | 0.60 | - |
| TOTAL | 18.40 | - |

Schedule 16 - Employees' Remuneration & Benefits

| Description | (₹ in crore) | |
|---|--|--|
| | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
| Salaries, wages, allowances & benefits | 28.11 | - |
| Contribution to provident and other funds | 4.53 | - |
| Welfare expenses | 3.91 | - |
| TOTAL | 36.55 | - |

Schedule 17 - Operation, Maintenance and Other Administrative Expenses

| Description | (₹ in crore) | |
|---|--|--|
| | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
| Repair & Maintenance | | |
| -Buildings | 0.21 | - |
| -RLDC,s | 9.99 | - |
| -Others | 1.09 | - |
| | 11.08 | - |
| Power charges | 1.08 | - |
| Expenses of Diesel Generating sets | 0.02 | - |
| Water charges | 0.16 | - |
| Training & Recruitment expenses | 0.42 | - |
| Legal expenses | 0.05 | - |
| Professional charges | 0.12 | - |
| Consultancy expenses | 0.01 | - |
| Communication expenses | 0.41 | - |
| Travelling & Conveyance Expenses | 1.39 | - |
| Foreign travel | 0.10 | - |
| | 1.49 | - |
| Remuneration to auditors (Including service Tax) | | |
| Audit Fees | 0.07 | - |
| Tax Audit Fees | 0.02 | - |
| Lodging,boarding & travelling expenses | 0.05 | - |
| | 0.14 | - |
| Printing and stationery | 0.09 | - |
| Books,Periodicals and Journals | 0.03 | - |
| EDP hire and other charges | 0.19 | - |
| Entertainment expenses | 0.06 | - |
| Brokerage & Commission | 0.01 | - |
| Loss on disposal/write Off of Fixed assets | 0.01 | - |
| Security Expenses | 1.00 | - |
| Hiring of Vehicle | 0.25 | - |
| Rates and taxes | 0.06 | - |
| Bandwidth charges, Dark fibre lease charges (Telecom) etc | 2.84 | - |
| Peliminary expenses | - | 1.28 |
| Miscellaneous expenses | 0.78 | - |
| TOTAL | 20.51 | 1.28 |

Schedule 18 - Interest and Finance Charges

| Description | (₹ in crore) | |
|--|---|---|
| | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
| Interest on Loan from Holding Company | 0.97 | - |
| FERV written off | 0.09 | - |
| Finance Charges | | |
| Rebate to Customers | 0.08 | - |
| Guarantee fee | 0.18 | - |
| | 0.26 | - |
| TOTAL | 1.32 | - |

SCHEDULE 19 : NOTES ON ACCOUNTS

1) Nature Of Operations

The company was incorporated on 20th march 2009 as a wholly owned subsidiary of the Powergrid Corporation of India Limited a Government of the India Enterprise to take over the business of the system operations and market operations, which were carried out by the holding company.

2) a) As per order of Ministry of Power, GOI, the moveable assets of RLDCs (System Operation Segment) have been transferred on purchase basis to the company from Powergrid Corporation of India Limited, holding company w.e.f. 01/10/2010. In terms of the agreement to sell assets, the purchase consideration has been worked out and settled as per details given below :-

| | | |
|--|-----------------|---------------|
| Depreciated Value of moveable assets (Net block) | : ₹75.95 | crores |
| CWIP and Construction Stores & Advances | : ₹00.60 | crores |
| Net Current Assets | : ₹25.13 | crores |
| Total | : ₹101.68 | crores |
| Less : Grant in Aid | ₹5.06 | crores |
| LDC Development Fund | ₹25.72 | crores |
| Take over of the Loans | ₹40.31 | crores |
| Net Amount payable | : ₹30.59 | crores |

b) The company has allotted 3,05,90,000 fully paid equity shares of face value of ₹10/- each (Rupees ten only) amounting to ₹30.59 crore in favour of the Power grid Corporation of India Limited towards Purchase Consideration. Moveable assets previously owned by Regional Load Despatch Centres (NRLDC, SRLDC, WRLDC, NERLDC, ERLDC) and NLDC of the Power grid corporation of India have been purchased by the company on 01st Oct. 2010, at the net book value. The gross value of the assets as on 01/10/2010 amounting 270.70 Crores and the accumulated depreciation as on 01/10/2010 amounting to ₹194.75 Crores have been shown respectively as opening balances taken over in the schedule 4 Fixed Assets.

c) Pending realisation of dues from the beneficiaries, the working capital needs are met by taking loan from the holding company and is shown as loan from Powergrid amounting to ₹49.04 Crores (incl. net interest of ₹0.27 cr net of TDS of ₹0.06 cr). Expenditure on account of Interest, FERV, Employees benefits have been adjusted in the above amount of ₹49.04 crores

d) As per the memorandum of understanding consequent upon sale of moveable assets to POSOCO ,all operations and transactions (billing and banking) carried, on or after Oct 1 , 2010 by the RLDCs and NLDC, in the name of holding company are deemed to have been carried on behalf of POSOCO.

3) As per the CERC regulations applicable for the transmission business (as applicable to the Holding Company), deferred tax liability upto 31.03.2009 amounting to ₹19.62 crores (on provisional basis) being the difference between the WDV as per the books and WDV as per the Income Tax is claimable from the beneficiaries whenever materializes. However, CERC regulation applicable for RLDC Fees and Charges does not contain any such provision. Deferred Tax Liability of ₹7.22 crores, materialised during the year has not been depicted as recoverable pending filing of petition with CERC. Petition shall be filed with CERC for claiming deferred tax liability (DTL) materialized. Considering that the petition for deferred Tax Liability (DTL) shall be admitted by CERC by the time balance DTL materializes, no provision there of has been made .

- 4) Unscheduled Interchange Pool Account Fund(UI), Congestion Charge Account, Reactive Energy Charges Account(RE) Inter Regional Exchange Account(IRE) and STOA collection account.

The central Electricity regulation commission vide following regulations has directed the Regional Load dispatch centres in each region to operate and maintain unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account.

All payments on account of Unscheduled Interchange charges including Additional Unscheduled Interchange charges levied and interest, if any, received for late payment are credited to the funds called the "Regional Unscheduled Interchange Pool Account Fund", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity regulatory Commission (Unscheduled Interchange charges and related matters) Regulations, 2009.

All payments on account of congestion charges and interest, if any, received for late payment are credited to the funds called the "Congestion Charge Account", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations, 2009.

All payments on account of reactive energy pool account are credited to the funds called the "reactive energy account", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission.

These funds are equally matched with fund balance in the bank accounts in the current and fixed deposit accounts except for difference due to interest accrued and TDS on interest, which are funded on the receipt of the interest and TDS Certificates.

As on 31/03/2011, the total balance in these designated bank accounts were amounting to ₹944.84 Crores as against the liability in these funds amounting to ₹945.32 Crores. The net difference in the Liability and the designated bank accounts amounting to ₹0.48 crores on account of the Interest accrued and TDS on interest is subject to reconciliation and consequential adjustments .if any.

5) **LDC Development Fund**

Revenue during the year on account of Depreciation, Interest on Loan, Return on Equity amounting to ₹35.26 crore and other income amounting to ₹23.66 crore comprising mainly STOA and interest income is required to be deposited in LDC Development Fund in terms of CERC Regulation. The fund is to be utilised towards loan/interest repayment of ₹30.52 crore, income tax of ₹15.20 crore, dividend of ₹3.06 Crore and dividend tax of ₹0.50 crore, resulting in net accretion of 9.64 crore to fund.

Transfer to fund has been restricted to ₹6.37 crores being the available profit for appropriation due to higher tax liability on account of materialisation of the deferred tax liabilities and under recoveries of O&M and HR Expenses. Balance amounting to ₹3.27 crore shall be deposited on recovery of deferred tax liability from the beneficiaries(Also Refer para no 3 of the notes) or recovery of O&M and Human Resource Resources expenditure at actual is allowed by CERC, whichever is earlier.

A sum of ₹41.32 crore is lying in the designated bank account against the LDC Fund of ₹46.28 crore. During the year contribution of ₹1.41 crores has been made in the fund account leaving a balance of ₹4.96 crore shall be deposited on realisation of dues.

Utilisation of the Fund for payment of the statutory dues for income tax including its methodology and any under recovery of the fees and charges is to be taken up with the CERC and necessary adjustments will be made on virtual certainty.

- 6) The CERC while giving approval under section (4) of the section 28 of the Electricity Act 2003 read with the CERC(Fees and charges of Regional Load despatch Centre and other related matters) Regulations 2009 for the RLDCs charges has noted that at present the system operation is not subject to the service tax.
- 7) Pending reconciliation, materials amounting to ₹0.06 Crore (previous year ₹ Nil) (included under Construction Stores – schedule 7) is shown as construction stores lying with contractors.
- 8) a) Balances in Loans and Advances, TDS Certificates Receivables/Recoverable, STOA Advance from customers, Material with contractors, Sundry Creditors, Advances from customers and Sundry Debtors are subject to reconciliation (in case of TDS & STOA advances) and confirmation and consequential adjustments, if any.
- b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
- 9) Liabilities include ₹2.59 Crore (previous year ₹ Nil) on account of tax deducted at source on perquisites to employees as per the provisions of the Income Tax Act, 1961, which was deposited in a separate bank account by holding company as per Orders of the Hon'ble Calcutta High Court.
- 10) The company is providing for depreciation based on the CERC norms, which is in line with the tariff policy issued by the MOP for the block period 2009-14, which provides that the rates of depreciation as notified by CERC would be applicable for the purpose of tariff as well as accounting.
- Depreciation charge for the year is higher by ₹22.42 crore (previous year ₹ Nil) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.
- 11) Excess in collection of System Operation and Market Operation charges over the revenue recognised amounting to ₹6.51 crores is transferred to the liability to be adjusted on truing up exercise by the CERC after the expiry of the control period.
- Pre Incorporation expenses of ₹127.09 Lacs (previous year Nil) has been recognised as income of the year on approval of the tariff orders by CERC, though billing to beneficiaries is yet to be done.
- 12) Provision of ₹3.08 Crores has been made for post retirement benefits of employees being the balance amount permissible under DPE guidelines for which scheme is yet to be finalised.
- 13) FERV loss of ₹0.01 crore is recognised in the profit and loss account for the loans contracted after 1 April 2004.
- FERV gain of ₹0.13 crores has been adjusted to the carrying cost of fixed assets.
- 14) Other income includes ₹3.06 Crores. Being the amount transferred from Grants-in-aid received in respect of NERLDC As per accounting policy no 4.1 and 4.2
- 15) The company is following AS-15 (revised 2005) 'Employee Benefits'.

The information under this clause has been provided on estimated basis based on the actuarial valuation taken as a whole for employees of Powergrid Corporation of India Ltd. Including employees of POSOCO.

- a) All the employees of POSOCO are on secondment basis from its holding company Powergrid Corporation of India Ltd. Above employees shall continue to draw pay and allowances and other facilities as they have been drawing with the POWERGRID and shall be subject to rules and policies as applicable to them in POWERGRID before their transfer to POSOCO except incentives ,which shall be protected through special allowance at the rate as would have been admissible as if they were continuing their service with POWERGRID.
- b) Liability on account of the Leave encashment, Post Retirements medical plan, Baggage Allowance, Gratuity and superannuation liability is based on allocation of the total actuarial liability for the Power Grid Corporation of India Limited as a whole including the employees of the company on secondment basis as on 31/03/2011 reduced with the liability taken over as on 30/09/2010.
- c) Liability on account of the PRP is based on allocation of estimated liability for the Power grid Corporation of the India Limited as a whole including employees of POSOCO, as on 31/03/2011 reduced with the liability taken over as on 30/09/2010.

Defined employee benefit schemes are as under:-

A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust managed by the holding company in the name of Power grid Employees Provident Fund Trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to profit and loss a/c. The obligation of the company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the provident fund including the return on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan.

B. Gratuity

The company has a defined benefit gratuity plan with a separate trust maintained by the holding company in the name of the Power grid Employees Gratuity fund Trust . Every employee who has rendered continuous service of five years or more is entitled to get gratuity at 15 days salary (15/26 X last drawn basic salary plus, dearness allowance) for each completed year of service on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹10 lacs. The scheme is funded by the company. The liability for the same is recognised on the basis of actuarial valuation on annual basis.

C. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees and the spouse are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed by the company. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

D. Other Defined Retirement Benefits (ODRB)

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

E. Other Employee Benefits

Provision for Leave encashment for the year amounting to ₹1.66 crore (previous year Nil) for the year upto 31st March 2011 has been made on the basis of actuarial valuation at the year end for the employees transferred on secondment basis to the company from Power grid corporation of India ,holding company.

The summarised position of various defined benefits recognized in the Profit and Loss Account, Balance Sheet and the funded status are as under:-

a) Expenses recognised in profit and loss account

(₹ in crore)

| | GRATUITY | PRMF | ODRB |
|--|--------------|--------------|--------------|
| | Current Year | Current Year | Current Year |
| Current Service Cost | 0.47 | 0.22 | 0.01 |
| Interest cost on benefit obligation | 0.58 | 0.31 | 0.02 |
| Expected return on plan assets | -0.61 | - | - |
| Net actuarial (gain)/loss recognized in the year | 2.28 | 1.58 | - |
| Expenses recognized in the profit and loss a/c. | 2.72 | 2.04 | 0.03 |

b) The amount recognized in the Balance Sheet:

(₹ in crore)

| | GRATUITY | PRMF | ODRB |
|--|--------------|--------------|--------------|
| | Current Year | Current Year | Current Year |
| Present value of obligation as at 31/03/2011(i) | 20.47 | 07.17 | 0.65 |
| Fair value of plan assets as at 31/03/2011 (ii)(*) | 20.47 | - | - |
| Difference (i) – (ii) | - | - | - |
| Net liability recognized in the Balance Sheet | - | 07.17 | 0.65 |

(*) The fund is maintained with the Powergrid Employees Gratuity Fund Trust. Difference ,if any in the plan assets is shown in the Books of the holding company as a whole for employees of Powergrid Corporation of India Ltd. and employees of Power System Operation Corporation Ltd.

c) Weighted average rate of return on plan assets during the year is 8.79%(Previous Nil)

d) Changes in the present value of the defined benefit obligations:

(₹ in crore)

| | GRATUITY | PRMF | ODRB |
|--|--------------|--------------|--------------|
| | Current Year | Current Year | Current Year |
| Present value of obligation as at 01/10/2010 | 18.5 | 5.13 | 0.62 |
| Interest cost | -0.03 | 0.31 | 0.02 |
| Current Service Cost | 0.47 | 0.22 | 0.01 |
| Benefits paid | -0.75 | -0.07 | 0 |
| Net actuarial (gain)/loss on obligation | 2.28 | 1.58 | 0 |
| Present value of the defined benefit obligation as at 31/03/2011 | 20.47 | 7.17 | 0.65 |

F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31st March, 2011 are not given in view of that Fund is maintained with Powergrid Employees Gratuity Fund Trust as a whole for employees of Powergrid Corporation of India Ltd and employees of Power System Operation Corporation India Ltd. on secondment basis.

G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- i) Method used - Projected unit credit (PUC)
- ii) Discount rate - 8% (Previous Year Nil)
- iii) Expected rate of return on assets (Gratuity only) – 8.50 % (Previous Year Nil)
- iv) Future salary increase- 5.5% (Previous Year Nil)

The estimate of future salary increases, considered in actuarial valuation, takes into account (i) inflation, (ii) Seniority (iii) Promotion and (iv) Other relevant factors, such as supply and demand in the employment market.

16) Segment Reporting

The company's principle business is power system and market operation and no other business segment exists other than this. The Company operates within India and does not have operations in economic environments with different risks and returns. Hence, it is considered operating in single geographical segment.

17) Related Party Disclosures:-

a) Joint Ventures:-

- i) Powerlinks Transmission Limited
- ii) Torrent Power Grid Limited
- iii) Jaypee Powergrid Limited
- iv) Parbati Koldam Transmission Company Ltd
- v) Teestavalley Power Transmission Limited
- vi) North East Transmission Company Limited
- vii) National High Power Test Laboratory Private Limited
- viii) Energy Efficiency Services Limited.

b) Holding Company:-

Power Grid Corporation India Limited

c) Key Management Personnel

- | | | |
|------|--------------------|--|
| i) | Sh. S.K.Chaturvedi | Chairman |
| ii) | Sh. J.Sridharan | Director (Superannuated on 30.04.2011) |
| iii) | Sh. R.N. Nayak | Director |
| iv) | Sh. F.A.Vandervala | Director (appointed w.e.f. 20.10.2010) |

d) Transactions with the holding company are as follows:

In addition to transactions disclosed at note no.2 , company has received system operation charges of ₹7.67 crores and allowed a rebate of ₹0.11 crore. The company has also paid ₹2.57 crores towards dark fiber lease charges.

e) Director's sitting fee ₹10,000 only (Previous Year ₹ Nil) for independent director.

18) Disclosures regarding leases

Operating leases:-

The company's significant leasing arrangements are in respect of operating leases of premises

for residential use of employees, offices are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include ₹1.59 crore (Previous Year ₹ Nil) towards lease payments, net of recoveries, in respect of premises for residential use of employees.

19) Earning per share calculated in accordance with the provisions of AS-20

| | As at 31.03.2011 | As at 31.03.2010 |
|---|------------------|------------------|
| Numerator | | |
| Profit / (Loss) after tax as per Profit and Loss Account (Used as Numerator (₹In crore)) | 11.21 | (1.28) |
| Denominator | | |
| Number of equity shares (Face value of ₹10/- each) | 30640000 | 50000 |
| Number of Shares allotted during the year | 30590000 | 50000 |
| Weighted Average number of equity shares for calculating Basic earning per share | 15303096 | 50000 |
| Weighted Average number of equity shares for calculating Diluted earning per share | 15303096 | 50000 |
| Basic earning per share (₹/ per share) (Face value of ₹10/- each) | 7.33 | (256.04) |
| Diluted earning per share (₹/ per share) (Face value of ₹10/- each) | 7.33 | (256.04) |

20) During the year the company has provided ₹3.35 crore (previous year ₹ Nil) as deferred tax assets.

Major components of deferred tax assets are given as under:

(₹ in crore)

| Particulars | As at 31.03.2011 |
|---|------------------|
| Deferred Tax Liability (A) | - |
| Deferred Tax Asset | |
| Towards Fixed Assets (Net) | 0.82 |
| Pre Incorporation expenses | 0.33 |
| Employee Benefits-Leave Encashment, Incentive u/s 43B | 2.20 |
| Sub Total (B) | 3.35 |
| Net Deferred Tax Assets (B-A) | 3.35 |

21) In accordance with AS-28 "Impairment of Assets", impairment analysis of assets of company by evaluation of its cash generating units, was not carried out. No impairment loss was recognized. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.

22) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ Nil crore (previous year ₹ Nil crore).

23) Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':

Contingent Liabilities:

Demand of Rent for the office and staff quarters accommodation raised by the WREB, Mumbai for the Financial year 2010-11 is ₹99.84 Lacs ,which is disputed by the company and company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of power.

24) a) Based on the information available with the company, there are no suppliers/service providers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium

Enterprises Development Act, 2006" as on 31st March, 2011.

- b) No payment is due for more than 30 days as at 31st March, 2011 in respect of purchases / services made from small scale/ancillary industries.

25. a) VALUE OF IMPORTS CALCULATED ON CIF BASIS :

(₹ in crore)

| | Current Year | Previous Year |
|------------------|--------------|---------------|
| i) Capital Goods | - | - |
| ii) Spare Parts | - | - |

b) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

(₹ in crore)

| | Current Year | Previous Year |
|-------------------------|--------------|---------------|
| i) Repair & Maintenance | 2.92 | - |
| ii) Foreign Travel | 0.01 | - |
| iii) Others | | |

c) VALUE OF COMPONENTS, STORES AND SPARE PARTS CONSUMED :

(₹ in crore)

| | % | Current Year | % | Previous Year |
|---------------------------------|------|--------------|---|---------------|
| i) Imported | - | - | - | - |
| ii) Indigenous (Including fuel) | 100% | 0.05 | - | - |

d) EARNINGS IN FOREIGN EXCHANGE

(₹ in crore)

| | Current Year | Previous Year |
|--------|--------------|---------------|
| Income | Nil | Nil |

26. ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

i) REGISTRATION DETAILS :

| | |
|--------------------|-----------------------------|
| Registration No. | U40105DL2009GOI188682 |
| State Code | 055 |
| Balance Sheet Date | 31 st March 2011 |

ii) CAPITAL RAISED DURING THE YEAR

(₹ in crore)

| | |
|---|-------|
| Public Issue | NIL |
| Rights Issue | NIL |
| Private Placement, pursuant to a contract, for consideration other than cash (Issued to Power Grid Corporation of India-Holding Co.) | 30.59 |
| Bonus Issue | NIL |

iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(₹ in crore)

| | |
|-------------------|---------|
| Total Liabilities | 1198.22 |
| Total Assets | 1198.22 |

| | |
|------------------------|-------|
| Sources of funds | |
| Paid up Capital | 30.64 |
| Reserves and Surplus | 46.28 |
| Secured Loans | - |
| Unsecured Loans | 89.35 |
| Grants in Aid | 2.00 |
| Deferred Tax Liability | - |

| | |
|--|--------|
| Application of Funds | |
| Net Fixed Assets | 51.14 |
| Capital Work-in-Progress (including Construction, Stores and Advances) | 0.75 |
| Investments | - |
| Net Current Assets | 113.03 |
| Deferred Fixed Assets | 3.35 |

iv) PERFORMANCE OF COMPANY

(₹ in crore)

| | |
|--|-------|
| Turnover/Income | 97.31 |
| Other Income (including Transfer from Grants in Aid) | 18.40 |
| Total expenditure | 89.30 |
| Profit before Tax | 26.41 |
| Profit after Tax and Deferred tax | 11.21 |
| Earning per share (Basic) (₹) | 7.33 |
| Dividend Amount | 3.06 |

v) GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICE OF COMPANY

Item code no. : Not Applicable
 Product Description : Operations of National Load Despatch Centre (NLDC) and Regional Load Despatch Centres (RLDCs)

27. a) Figures have been rounded off to nearest rupees in Crore.
 b) Previous year figures have been given, wherever available.
 c) Previous year figures have been regrouped / rearranged wherever necessary.

For and on behalf of the Board

(S. K. Soonee)
 Chief Executive Officer

(R. T. Agarwal)
 Director

(S.K.Chaturvedi)
 Chairman

For Arun Singh & Co.

Chartered Accountants
 Firm Regn. No. 011863N

(Ravi Kapoor)
 Partner
 M.No.095214

Place : Gurgaon
 Date: 16.05.2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in crore)

| Particulars | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
|--|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | 26.41 | (1.28) |
| Adjustment for : | | |
| Depreciation | 30.92 | - |
| Transfer from Grants in Aid | (3.06) | - |
| Net Loss on Disposal / Write off of Fixed Assets | 0.01 | - |
| Interest and Finance Charges | 1.23 | - |
| Un-realised FERV gain | (0.01) | - |
| FERV written off | 0.09 | - |
| Operating profit before Working Capital Changes | 55.59 | (1.28) |
| Adjustment for : | | |
| (Increase)/Decrease in Trade and other Receivables | (90.02) | - |
| Increase/(Decrease) in Trade payables and other liabilities | (1055.94) | 1.28 |
| (Increase)/Decrease in Other current assets | 29.09 | - |
| (Increase)/Decrease in Loans and Advances | 90.16 | - |
| | (1026.71) | 1.28 |
| Contribution received for LDC Development Fund | 14.19 | - |
| Direct taxes paid | (19.00) | - |
| Net Cash from operating activities | (975.93) | - |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed assests | (6.26) | - |
| Net cash used in investing activities | (6.26) | - |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of Shares | - | 0.05 |
| Loans raised during the year | 49.04 | - |
| Interest and Finance Charges Paid | (1.32) | - |
| Net Cash from Financing Activities | 47.72 | 0.05 |
| D. Net change in Cash and Cash equivalents(A+B+C) | (934.47) | 0.05 |
| E. Cash and Cash equivalents(Opening balance) | 0.05 | - |
| F. Cash and Cash equivalents taken over from the Holding Company | 1928.99 | - |
| G. Cash and Cash equivalents(Closing balance) (D + E + F) | 994.57 | 0.05 |

Note:

Cash and cash equivalents consist of cash in hand and balance with banks and includes ₹944.84 crore kept in designated bank accounts operated and maintained in tems of CERC Regulations.

The Company has taken over Fixed assets (including CWIP and Construction Stores) of ₹76.55 crore, Net Current Assets of ₹5.13 crore, Grant in Aid of ₹5.06 crore, LDC Development Fund of ₹25.72 crore and Loans of ₹40.31 crore. The Company has allotted equity shares of ₹30.59 crore to settle net purchase consideration. These transactions have not been reflected as there is no actual cash inflow / outflow.

For and on behalf of the Board

(S. K. Soonee)
Chief Executive Officer

(R.T. Agarwal)
Director

(S. K. Chaturvedi)
Chairman

As per our report of even date

For Arun Singh & Co.
Chartered Accountants
Regn. No. 011863N

(Ravi Kapoor)
Partner
M.No. 095214

Place: Gurgaon
Date: 16.05.2011

AUDITORS' REPORT

To,

The Members,

Power System Operation Corporation Limited,

1. We have audited the attached Balance Sheet of Power System Operation Corporation Limited as at March 31, 2011, and 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 the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. 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.
3. The Company is governed by the Electricity Act, 2003. Though the said Act has repealed the Electricity (Supply) Act 1948 and Electricity Regulatory Commission Act, 1998, certain provisions of the repealed Act, to the extent they are not inconsistent with the provisions of said Act, continued to be applied by the Company while preparing the financial statements. Further, the provisions of the said Act read with the rules there-under have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003, read with Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the annexure referred to in paragraph 4 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by

the Company, so far as appears from our examination of the 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, subject to our observations in paragraph 3 above, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- e) In pursuance to the notification No. GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of Companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
- f) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on Accounts given in Schedule 19 and Accounting Policies annexed thereto, in so far as these are not inconsistent with the Electricity Act, 2003, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011.
 - ii) in the case of 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 of the Company for the year ended on that date.

For Arun Singh & Co.

Chartered

Accountants

Regn. No. 011863N

(Ravi Kapoor)

Partner

M.No.095214

Place : Gurgaon

Dated: 16.05.2011

ANNEXURE TO THE AUDITORS' REPORT

**RE: POWER SYSTEM OPERATION CORPORATION LIMITED
ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE**

1. a) The Company has generally maintained records of Fixed Assets, showing full particulars including quantitative details and situation of Fixed Assets.
 - b) The assets have been physically verified by external agencies during the year and discrepancies, though not material, noticed on such verification have been reconciled /adjusted in the books of account. In our opinion, frequency of verification is reasonable.
 - c) During the year the company has not disposed off substantial part of its Fixed Assets.
2. There was no inventory carried by the company. Therefore, clause 4(ii)(a),(b) and (c) of paragraph 4 of the Order is not applicable for the year.
 3. a) The Company has not granted any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b) The Company has taken unsecured Loans from Power grid corporation of India Limited, holding Company amounting to ₹89.35 crores as on 31/03/2011. In our opinion based on the information, prima facie, the rate of interest and other terms and conditions of loans taken by the company are not prejudicial to the interest of the Company. The principal amount and interest amount are yet to be paid pending realization of the RLDCs fees and Charges.
 4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the Company and the nature of its business, with regard to fixed assets and income from system operation and market operation. During the course of our audit we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the underlying internal control systems.
 5. According to the information and explanation given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act 1956, during the year, to be entered in the register maintained under that section. Accordingly Clause (v) of paragraph 4 of the Order is not applicable.
 6. Since the Company has not accepted any deposit from the public, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58-A, 58-AA and other relevant provisions of Companies Act, 1956, and rules framed thereunder, does not arise.
 7. The Company has an Internal Audit system. In our opinion, the scope and coverage of Internal Audit are commensurate with the size and nature of its business.
 8. The Central Government has not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
 9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues except some delays with appropriate authorities including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31.3.2011 for a period of more than six months from the date they became payable.
As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.
 - b) According to information and explanation given to us, following disputed income tax / sales tax / customs duty / wealth tax / service

tax / excise duty / cess dues have not been deposited

| Particulars | Amount (₹ In Crores) | Forum where pending |
|---------------------------------|-------------------------|----------------------|
| Income Tax (TDS) on perquisites | 2.59 crores | High Court, Kolkatta |

10. The company is registered for a period not less than five years. Therefore, clause 4(x) of paragraph 4 of the Order is not applicable for the year.
11. On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or nidhi/mutual benefit fund/society. Accordingly, Clause xiii of paragraph 4 of the Order is not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, debentures, and other investments. Accordingly, Clause xiv of paragraph 4 of the Order is not applicable.
15. As informed to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions
16. In our opinion on an overall basis and according to the information and explanation given to us, the company has not obtained any term loans during the year.
17. In our opinion, on an overall basis, and according to the information and explanation given to us, the company has not used the funds raised on short term basis for long term investment.
18. The Company has made allotment of 3,05,90,000 shares to Power Grid Corporation of India Limited, holding company in lieu of the net purchase consideration for the transfer of assets and liabilities at book value as per the order of the Ministry of the power,GOI .The shares have been issued at par and according to the information and explanation given to us, are not prejudicial to the interest of the company.
19. The Company has not issued the debentures during the year.
20. The Company, during the year, has not raised any money by public issue.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Arun Singh & Co.
Chartered Accountants
Regn. No. 011863N

(Ravi Kapoor)
Partner
M.No.095214

Place : Gurgaon
Dated: 16.05.2011

