

**NOTES ON ANNUAL ACCOUNTS FOR 2007-08 OF TUTICORIN PORT TRUST**

The Annual Accounts for 2007-08 have been prepared conforming to the accounting principles and practices applicable to all Major Ports. The features of the Annual Accounts 2007-08 are listed below:

A.a.	The Port has been brought under the purview of the Income Tax from the AY 2003-04 by an amendment brought about by Finance Act, 2002. For the AY 2007-08 an amount of Rs.25.30 crores has been paid by way of advance tax and TDS. Besides, the Pension Fund and General Provident Fund managed by the Port as per the respective regulations approved and notified by the Government in the Gazette of India, have been recognised by the Income Tax Department. Vide order issued by Income Tax Department dated 17.3.2007, the Pension Fund is bifurcated as Pension Fund and Gratuity Fund. The bifurcation has since been effected in the Accounts for 2006-07.
b.	Contingent liabilities are not provided for in Accounts. It is confirmed that there is a dispute between Tuticorin Port Trust and the Tamil Nadu Water & Drainage Board with respect to payment of water charges at the rate of Rs. 3.50 per kilo litre applicable to domestic supply as against the claim of the TWAD Board applying a rate of Rs. 10.50 per kilo litre upto 9/2003 and @ Rs.15.00 per kilo litre from 10/2003. The issue is still pending before the Hon'ble High Court of Madras. The approximate liability is estimated as Rs. 572.30lakhs for the period from February 1997 to March 2008
c.	Obsolete assets are identified, survey reported and disposed off by auction. On completion of the disposal, the same is removed from the Block of Assets.
d.	Consequent to compliance with Accounting Standard – 22 on accounting of taxes on income which has come into effect from the year 2003-04, the effect of deferred tax on accounting is as below: Deferred Tax Liability of Rs.8.45 crores for the year 2007-08 has been recognised in the Profit & Loss account

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<b>B</b>	<b>SIGNIFICANT ACCOUNTING POLICIES</b>
1	<p style="text-align: center;"><b>1. Revenue Recognition: ( Accounting Standard.9)</b></p> <p>The major sources of income of the Port are classified as following:</p> <p>(i) <u>Cargo related service charges</u> consisting of wharfage, storage charges, cargo handling equipment hire.</p> <p>(ii) Royalty from BOT Operator for lease of berth.</p> <p>(iii) <u>Port &amp; Dock service charges</u> consisting of towage and mooring fees, pilotage fees, berth hire fees and Port dues.</p> <p>(iv) <u>Estate Related charges</u> consisting of lease of land, rent, water and electricity and way leave charges.</p> <p>(v) <u>Railway earnings</u> consisting of siding charges collected for the use of Port siding.</p> <p>(vi) <u>Finance &amp; Miscellaneous income</u> comprises of interest earned on investments, profit on sale of assets etc., Port entry fees and penalties.</p> <p>All charges covered under (i), (iii) to (v) above are recognised immediately when an application for service is received and authorised for delivery of services. However in the case of rent for storage of goods an advance is collected when allotment order is issued and thereafter charges are collected on fortnightly, monthly and yearly basis as per the tariff. Water and electricity charges where the charges are fixed are collected in the beginning of the month and where the charges are dependent on meter reading, are recognised on the billing. Other income including interest on advances to employees are recognised on receipt basis.</p>

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2.	<p><b>Fixed assets accounting:(Accounting Standard.10)</b></p> <p>Fixed assets are stated in the books at historical value based on actual cost consisting of construction cost, purchase price including import duties and other taxes which are directly attributable to bring the asset to an working condition for its intended use. All expenses upto the date of commissioning of the project have been capitalised.Administration and general overhead expenses, unless they are specifically attributable with the project/assets, are excluded from the cost of fixed assets.</p> <p>Profit or loss on sale of fixed assets are accounted for in the Revenue accounts.</p>
3	<p><b>Depreciation:(Accounting Standard.6)</b></p> <p>Depreciation of fixed assets is provided on straight line basis based on the economic life of assets given in the directives issued by the Government. Assets capitalised during the year are depreciated in full if they are put to use beyond 180 days and 50% only if they are put to use for periods exceeding 30days but less than 180 days.</p>
4	<p><b>Investments:Accounting Standard.13</b></p> <p>The port's investments broadly consist of :</p> <p>(1) PSU bonds, (2) Government Securities and (3) Fixed Deposits with banks and Financial institutions.The investments in the form of PSU bonds have been made at par in the nature of long term investments to be redeemed on maturity at par. Hence they are valued at cost.</p>
5	<p><b>Interest on investments:Accounting Standard.9</b></p> <p>Interest on investments are credited to Revenue account. Interests relating to investments made from Pension Fund, Gratuity Fund and Provident Funds are credited to the respective Funds. In respect of investment in Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd (PICUP), the issue of settlement of amount of Principal alongwith interest upto date is pending with Madurai Bench of Hon'ble High court of Judicature at Madras. Pending disposal of the case, the amount of principal (Rs.7.10 Crs) is shown under investment and interest upto maturity date (Rs.3.53 Crs) upto 31.10.2006 is accounted as income.</p>

<b>B</b>	<b>SIGNIFICANT ACCOUNTING POLICIES</b>
6	<p><b>Retirement benefits:Accounting Standard.15</b></p> <p>Pension and gratuity liability to employees are provided for on accrual basis based on actuarial valuation done by certified authorities. Contributions are</p>

	<p>made to Pension Fund and Gratuity Fund created for this purpose by charging Revenue account.</p> <p>Employees who have joined service in Tuticorin Port Trust after 1.1.2004 are covered under the New Contributory Pension Scheme .</p> <p>30 Nos of employees are covered under the Contributory Pension Scheme. Tuticorin Port Trust has to contribute an amount of Rs.5,48,454/- equivalent to amount contributed by the employees and accrued liability has been created for this purpose.</p>
7	<p><b><i>Inventories:Accounting Standard.2</i></b></p> <p>Inventories mainly consist of maintenance spares, tools and consumables and are valued at cost determined on weighted average basis.</p>
8	<p><b><i>Borrowing cost:Accounting Standard.16</i></b></p> <p>Borrowing costs that are directly attributable to the acquisition, and construction of assets are capitalised till the date on which the asset is commissioned. Interests on loans after capitalisation is charged off to Revenue account.</p>
9	<p>Taxes on income: <b><i>Accounting Standard.22</i></b></p> <p>Current tax is determined as the amount of tax payable in respect of tax payable for the period. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable income and accounting income that originate in one period and are enable of reversal in one or subsequent periods.</p>
10	<p><b><i>General Insurance Fund:</i></b></p> <p>The Port has created a Fund called the General Insurance Fund since the Port does not insure its assets with General Insurance companies. The purpose of the Fund is to cater to accidental losses relating to major assets, which lead to total/substantial damage to assets requiring replacement and heavy repair expenditure to restore assets to their original conditions. Other expenses on repairs are charged to Revenue.</p>

<b>B</b>	<b>SIGNIFICANT ACCOUNTING POLICIES</b>
11	<p><b>VRS Ex-Gratia</b></p> <p>The Policy of treating the payment of VRS -Exgratia as deferred revenue expenditure to be written off over a period of five years is continued during the</p>

	current year.
12	<p><b><i>Payment of Pension and Gratuity</i></b></p> <p>Till the year 2005, the pension payment was made from the Pension Fund and Gratuity has been made from the Gratuity Fund. From the year 2006-07 due to change in accounting policy, the pension payment is being made from the Port revenue.</p>
13	<p>Port has made contribution towards equity to Sethusamudram Corporation Limited for the year 2006-07 amounting to Rs. 9.15crores.(Upto date Rs.32.65 crores)</p> <p>The above equity contribution made to Sethusamudram Corporation Limited is shown as investment in Balance Sheet. Equity Contribution of Rs.5.00 crores in Tuticorin Port Road Company Limited is also shown in the Balance Sheet.</p>
14.	<p>The following lease rental incomes are not accounted as the claim being in dispute</p> <p>a) Tamilnadu Electricity Board (50% due upto 2007-08) Rs.16.23 Crores .</p> <p>b)Tuticorin Alkali Chemicals Ltd (due upto 2007-08) Rs.5.25 Crores .</p>
15.	<p>An amount of Rs.0.81 crores will become due for payment to pensioners towards payment of personal pension with effect from 1.1.1997/1.1.1998.Ministry's orders are awaited in this regard.</p>

### **Notes to the Profit and Loss Account as per Billimoria Report**

#### **1.Various items of income and expenditure:**

1. The details of income and expenditure are available in Schedules annexed to the Profit and

Loss Account for the year ended 31.3.2008.

2. The amount provided for depreciation , renewals or diminution in value of fixed assets are furnished in the Schedule 3 to the Balance Sheet.
3. There is no instance of any asset not provided for depreciation during the year with respect to the policy of providing depreciation of assets carried on for more than 30 days.
4. For the AY 2008-09, provision for taxation made is Rs.27.51 cr.  
Fringe Benefit Tax Rs.0.22 cr;
5. Rs.13.00 crores were transferred to each of the two statutory reserves, viz., Reserve for development, repayment of loans and contingencies and Reserve for replacement, rehabilitation and modernisation of capital assets from the Net Surplus.
6. The aggregate of amounts set aside and withdrawn from specific reserves are furnished as appropriation from Net Surplus in the Profit and Loss Account.
7. Aggregate of amounts set aside towards provision made for meeting specific liabilities, contingencies or commitments and amount withdrawn from such provisions:  
NIL
8. Expenditure incurred on specified heads:  
A statement showing the operating expenditure on various specified heads are available in the type wise expenditure statement at Annexure-1.
9. Income from investments:  
The total interest earned on investments and other deposits is Rs.23.20 crores. .
10. Other income by way of interest:  
Other income received by way of interest is Rs. 0.81crores, from advances extended to the employees.
11. Profit / loss in respect of non recurring nature: Rs.1188494/-(loss – disposal of capital asset)
12. Total Finance Miscellaneous income is Rs.29.70 crores.
13. Dividends from subsidiary companies: Not applicable.
14. The amount paid to Trustees not being the employees of the Port is Rs. 1.36 lakhs, towards fees & travelling expenses.
15. Amount paid to auditors:
  - (i) Amount payable to Comptroller & Auditor General's office for conducting concurrent audit is Rs.39.82 lakhs ( Provided for in the accounts).
  - (ii) The fee for tax audit for the year 2007-08 was Rs.0.40 lakhs.
16. Total value of components and spares imported is NIL.
17. Value of imported and indigenous spares consumed and the percentage of each to total

consumption during 2007-08 are given below:

<i>No.</i>	<i>Particulars</i>	<i>Value consumed (Rs. in lakhs)</i>	<i>Percentage to total consumption</i>
1	Indigenous	Nil	Nil
2	Imported	Nil	Nil
	<b>Total</b>	<b>Nil</b>	<b>Nil</b>

18. The value of total purchase of stores and materials made on capital account but not included in the capital account is NIL.
19. The accounting policies followed for preparation of Balance Sheet and Profit & Loss Account are given in the notes on account appended to the Annual Accounts: 2007-08.
20. The earnings in foreign exchange is NIL. However, rates for certain ship related services are fixed in US \$ rates but collected in equivalent Indian rupees. Income received on US \$ denominated rates is Rs.58.65 crores out of the total vessel related income of Rs.70.06 crores.
21. Quantitative information:
- (i) Installed capacity of the Port : 20.55 million tonnes
- (ii) Actual utilisation, i.e., quantity handled by the Port: 21.48 million tonnes
22. Ex gratia payment to VRS retirees amounting to Rs.40,573,513 during 2004-05 Rs.2,10,30,991/- during the year 2006-07 has been treated as deferred revenue expenditure to be written off over a period of 5 years and 1/5 of the same amounting to Rs.42,06,198/- (II year) and an amount of Rs.81,14,700 (IV year) has been accounted under Finance and Miscellaneous expenditure for the year 2007-08.

### 23.Details of Staff Strength

Employees of the Port categorised on the basis of status as Class I, Class II, Class III and Class IV can be grouped on functional basis as those belonging to operational departments and administrative departments. Accordingly, the details are furnished separately for operational departments and administrative departments.

<i>No</i> <i>.</i>	<i>Particulars</i>	<i>Operating</i> <i>deptts</i>	<i>Engg</i> <i>Deptts</i>	<i>Admn.</i> <i>Deptts</i>	<i>Total</i>
1	No. of staff	544	440	213	1197
2	Expenditure on salaries including Overtime, PLR and encashment of EL. (Rs. in crores).	16.91	10.01	6.92	33.84

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