

## **Notes to Accounts – Schedule – M**

### **1. Principles of Consolidation**

- 1.1 The consolidated financial statements relate to Coal India Ltd. and its subsidiaries. The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard – 21 – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.
- 1.2 Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

### **2. Fixed Assets**

- 2.1 In accordance with the Government directives, the assets and liabilities of Singrauli Division of Central Coalfields Ltd. as on 01-04-1986 were taken over by Northern Coalfields Ltd. at net value. The legal formalities for transfer of such assets and liabilities to the company are yet to be completed.
- 2.2 The assets and liabilities taken over by Mahanadi Coalfields Ltd. from Mines Labour Welfare Organization and Coal Mines Rescue Organization for which no quantitative details are available and have not been incorporated in the accounts pending determination of value thereof.
- 2.3 In most of the cases conveyancing of land in favour of Mahanadi Coalfields Ltd. are pending for execution.
- 2.4 The net value assets of Rs. 817.02 lakhs ( details not available ) acquired by Eastern Coalfields Ltd. on nationalization of coal mines under Coal Mines Nationalization Act, 1973 have been taken into accounts and fully provided for
- 2.5
  - (i) 49519.47 Ha. of land at Central Coalfields Ltd. has been acquired under CBA(A&D) Act, 1957. Out of this, approximately 13500 Ha. is tenancy land and rest is forest and GMK land. Out of 13500 Ha. of tenancy land compensation has been assessed for 6130 Ha. for an amount of Rs. 35.93 crores. Out of this an amount of Rs. 21.84 crores has been paid and the balance is being paid by holding regular payment camp in different projects.
  - (ii) In case of Western Coalfields Ltd. land, acquired under Land Acquisition Act, CBA (A&D) Act, 1957, and on private negotiations, amounting to Rs. 10822.76 lakhs (previous year Rs. 10319.42 lakhs ) are included in Fixed Assets, on the basis of payment / compensation made as per approval of Competent authorities pending final settlement.
  - (iii) Land acquired by Northern Coalfields Ltd. under Coal Bearing Area(A&D) Act, 1957 has been shown as Land- Leasehold.

- 2.6 In respect of Chandrapur area of Western Coalfields Ltd., Rs. 6437.34 lakhs has been paid during the year towards acquisition of forest land from Forest Department, Government of Maharashtra. Till date the ownership of land has not been vested and the amount is shown as advance under capital commitments.
- 2.7 During the year 119 nos. residential quarters in Makardhokda – II OC mines of Umer area under Western Coalfields Ltd. has been demolished as per directive of 194<sup>th</sup>. Board meeting. The amount written off on this account is Rs. 140.60 lakhs.
- 2.8 Discarded / surveyed off assets lying in Stores of Western Coalfields Ltd. amounting to Rs. 1233.82 lakhs (previous year Rs. 985.12 lakhs) valued at residual 5% have not been physically verified.
- 2.9 The carrying cost of fixed assets in World Bank aided projects have been adjusted to the extent of Rs. 4036.68 lakhs due to foreign exchange fluctuation and Rs. 545.40 lakhs has been adjusted against revenue.
- 2.10 Fixed Assets comprising of Plant & Machinery of Rs. 218.99 lakhs related to building and other assets of Rs. 1625.37 lakhs, both at book value (WDV) as on 31-03-1995 have been let out to Indian Institute of Coal Management, a registered society under Societies Registration Act, under cancelable operating lease agreement. Addition to these assets from letting out to 31-03-2006 are Rs. 360.25 lakhs on value of plant & machinery and Rs. 312.43 lakhs on value of building and other assets. The cumulative provision for depreciation upto 31-03-2006 stood at Rs. 880.56 lakhs. The net W.D.V of the leased assets as per book as on 31-03-2006 is Rs. 1770.43 lakhs.

The yearly lease rent of Rs. 153.00 lakhs has been recovered

- 2.11 As per lease agreement dated 31<sup>st</sup>. March, 1993 executed with Dishergarh Power Supply Company Ltd., Eastern Coalfields Ltd. leased out the 2X10 MW Chinakuri Thermal Power Station including land, building plant & machinery etc. The lease agreement is for 20 years from the commencement of the lease w.e.f., 01-04-1991. The gross value of Power Plant; Building and Other Assets is Rs. 4608.97 lakhs; Rs. 1074.54 lakhs and Rs. 25.34 lakhs respectively. The cumulative depreciation upto 31-03-2006 against the abovementioned assets is Rs. 3681.54 lakhs ; Rs.391.10 lakhs and Rs. 11.55 lakhs respectively.

The lease rental for the year Rs. 350 lakhs has been received.

- 2.12 In terms of license agreement dated 19<sup>th</sup>. Day of March, 2001 executed with M/s Apollo Hospital Enterprise Ltd. Chennai, South Eastern Coal fields Ltd. has granted a right to occupy and use the fully constructed main hospital Building measuring 2,97,099.74 Sq. ft. and the residential quarters measuring 55,333 Sq. ft. with super structures on the land such as sub station building, sewerage treatment plant and pump house. The cost of the gross assets is 3132.21 lakhs against which cumulative depreciation is Rs. 382.83 lakhs. The license agreement provides for a lease period of 30 years from the effective date of commencement of the lease i.e. November, 2001.

The lease rental payable is accounted for as per agreement. During the year Rs. 133.08 lakhs has been accounted for against the said lease rent.

### 3. **Capital Work – In – Progress**

- 3.1 An amount of Rs. 1105.80 lakhs received during the year from M/s Sunflag Iron & Steel Co. Ltd., Field Mining Ispat Ltd. and Gondwana Ispat Ltd., towards prospecting & boring of prospective mines has been booked to Profit & Loss Account by Western

Coalfields Ltd. and reduced from from Capital WIP – A/C – Majn. Area. This has resulted in an addition to profit to the tune of Rs. 433.47 lakhs. However, an amount of Rs. 12.84 lakhs received from M/s BLA Industries Ltd. towards prospecting & boring of prospective mines are continued to be shown as Deposit from Customer pending settlement.

- 3.2 Provision of Rs.3788.62 lakhs ( 1296.06+ 2492.56) has been made for machinery / assets and incomplete civil works which could not be put to use for more than three years from the date of purchase / acquisition, equivalent to the rate of depreciation.
- 3.3 Provision of Rs. 1336.60 lakhs has been made at the rate of 100% for abandoned Capital WIP at Eastern Coalfields Ltd.

#### 4. **Development Expenditure**

- 4.1 Expenditure relating to projects yet to be sanctioned or construction yet to be taken up has been carried forward under “Prospecting & Boring under construction”. Development expenditure of South Eastern Coalfields Ltd. has been shown in the accounts after deduction of Rs. 879.08 lakhs (previous year Rs. 800.05 lakhs ) being sale of coal from development mines and Rs. 181.86 lakhs ( previous year Rs. 68.53 lakhs ) being closing stock of coal stock at development mines.

#### 5. **Inventory**

- 5.1 Quantitative discrepancies as noticed on physical verification between Bin cards and Store ledger upto june,1985 are identified and booked as Store Suspense for which equivalent provision of Rs. 231.71 lakhs is being carried at Eastern Coalfields Ltd.
- 5.2 At Eastern Coalfields Ltd. the variance above +/- 5% found on physical verification of stock (measured stock) of coal as compared to book stock as follows and the same is accounted for as per accounting policy:

	Quantity ( In M. T. )	Value (Rs.in Lakhs)
Shortages	0.29	234.51
Excess	<u>0.08</u>	<u>85.84</u>
Net Shortages	<u>0.21</u>	<u>148.67</u>

- 5.3 Coal of 471561M.T. mixed with soil, treated as non- vendible at Eastern Coalfields Ltd. and has been taken as NIL value.

#### 6. **Sundry Debtors**

- 6.1 At Central Coalfields Ltd. a provision of Rs. 9011.73 lakhs ( previous year Rs. 9290.77 lakhs ) has been made in the accounts during the year against disputed dues on the basis of fair estimate.
- 6.2 The board of Directors of Northern Coalfields Ltd. in the 114<sup>th</sup>. Meeting held on 07-04-2006 approved the package settlement of dispute with NTPC and accordingly claim has been raised on 50:50 basis for the period from April 1997 to March 2006 amounting to Rs. 2951.98 lakhs and accounted for in the current year which includes Rs. 2477.57 lakhs for the period upto March 2005. Similarly surface transport of Dudhchua Coal to SSTPS from Jayanta CHP during the period from February '03 to August '03 amounting to Rs. 139.31 lakhs has been accounted for in the current year.
- 6.3 No adjustments in the accounts of Northern Coalfields Ltd. has been made in respect of moisture quantity upto 31-03-2005 pending settlement of dispute as to acceptance

of methodology of computation of actual moisture quantity. A provision of Rs. 814.71 lakhs against disputed moisture claims held as on 31-03-2006 is considered adequate.

- 6.4 Due to the bifurcation of State of Madhya Pradesh, Ministry of Power, Government of India has apportioned the outstanding principal and interest accrued upto 30-09-2001 in respect of Madhya Pradesh Power Generation Corporation Ltd. formerly known as Madhya Pradesh State Electricity Board and further directed that CSEB and MPSEB to issue bonds for Rs. 19946 lakhs and Rs. 7002 lakhs respectively in favour of Western Coalfields Ltd.

MPPGCL has not yet issued bonds against apportioned amount of Rs. 7002.00 lakhs, which includes principal amount of Rs. 6549.00 lakhs and interest of Rs. 453.00 lakhs. MPPGCL has gone in court.

- 6.5 Western Coalfields Ltd. has charged @ 5% of basic value of coal sales with effect from 30-09-2005 on credit sales and with effect from 19-12-2005 on e-auction sales on the basis gazette notification dated 30-09-2005 by Government of Madhya Pradesh in respect of “ Madhya Pradesh Gramin Avsanrachana Tatha Sadak Vikas Adhiniyam, 2005.

However, some consumers moved the Hona'ble High Court of Madhya Pradesh, Jabalpur and obtained interim relief. As per the interim order dated 15-02-2006, the Hona'ble High Court, Jabalpur had directed the company not to deposit this tax to the State Government but to keep it in a fixed deposit. The matter is, however, still sub-judiced. Pending final decision by the Hona'ble High Court, the company has not deposited 5% Gramin Tax billed with appropriate authorities.

MPPGCL and SAIL have not made payment of this tax, totaling Rs. 1675 lakhs to the company. For other, consumers the company has received upto 31-03-2006 an amount of Rs. 54 lakhs on this account. An amount of Rs. 1729 lakhs is yet to be deposited in fixed deposit as on 31-04-2006.

- 6.6 Sundry Debtors balances are subject to confirmation by the parties.

## 7. Loans & Advances

- 7.1 As per MOU between Western Coalfields Ltd. and PWD, 16 Km stretch of road is to be constructed under CCBA scheme at a total estimated cost of Rs. 490 lakhs. PWD has raised their bills for Rs. 446 lakhs against the advance payment of RS. 450 lakhs. Out of the said bills an amount of Rs. 287.16 lakhs has been admitted and adjusted and the balance amount of Rs. 162.84 lakhs has been shown as advance pending admission of the said bills.

- 7.2 The expenditure incurred for carrying out exploratory drilling in blocks under Eastern Coalfields Ltd. command area by CMPDIL as per the approved Annual Action Plan of Coal India Ltd. and its subsidiaries, in view of critically weak financial position of Eastern Coalfields Ltd., now under BIFR, shall initially be born by Coal India Ltd. and accounted for suitably in Holding Company's books for recovery thereof only when mining activities in that block is projectised and implemented. Such expenses on exploratory drilling in blocks under command area of Eastern Coalfields Ltd. is to be funded by Holding Company and awaiting adjustments shall continue to reflect in Holding Company's book for 5 years since they were incurred and accounted for thereafter if remains unresolved / unadjusted for want of projectisation of mining activities, such unadjusted amounts shall be written off in the books of Holding

Company. The total amount on this account as on 31-03-2006 stood at Rs. 3881.14 lakhs including current year addition of Rs. 753.77 lakhs. However, as an abundant precaution it has been fully provided.

8. **Current liabilities**

- 8.1 Interest receivable / payable is not accounted for as revised agreement in respect of price of Rejects and Power tariff with D. L. F. is not yet finalized at Bharat Coking Coalfields Ltd. The matter is also pending before an arbitrator. However, interest due to delay in payment to D. L. F. has been provisionally determined as Rs. 272.76 lakhs upto financial year 2005 – 06.
- 8.2 By virtue of enactment of Cess and Other Taxes on Minerals ( Validation) Act, 1992, Central Coalfields Ltd. in 1992-1993 has raised supplementary bills on customers upto 4<sup>th</sup>. April, 1991 for Rs. 10033.04 lakhs on account of cess and sales tax thereon. The said amount is reflected in “Current Liabilities and Provisions” with corresponding debit in “Claims Receivable – Cess”, adjusting Sundry Debtors.
- 8.3 Provisional claims preferred by CDFI, France for technical assistance and other services for Khottadih Project at Eastern coalfields Ltd. amounting to Rs. 5.24 crores has not been accounted for as the company has a counter claim of Rs.181.24 crores.
- 8.4 Eastern Coalfields Ltd. has received an amount of Rs. 2.27 crores through CMPDIL on account of assets and liabilities of Tara Block of Salanpur Area handed over to M/S Bengal Emta Ltd. a joint venture of West Bengal Power Development Corporation and EMTA Group and an amount of Rs. 278.64 lakhs received on allotment of Barjora ( North ) Coal block to Damodar Valley Corporation by Ministry of Coal, Government of India have been shown as Deposit under Current Liabilities.
- 8.5 Singrauli Municipal Authority has claimed license and composite fees for construction of building of Rs. 986.62 lakhs (previous year Rs. 967.27 Lakhs) to Northern Coalfields Ltd. and the same is not provided for in the accounts.
- 8.6 In pursuance of MP Government Forest department’s notification no. F-5/9/10-3/2001 dt. 28-05-2001, transit fee @ Rs. 7.00 per tonne of coal is levied on coal sold to customer. The claim to the extent of Rs. 652.62 lakhs (previous year Rs. 572.26 lakhs) on this account has not been accounted for by Northern Coalfields Ltd. pending acceptance of the same by the customer.
- 8.7 In pursuance of notification no. Nil dt. 31-03-2005 & subsequent no. F/19/60/04/XII dt. 30-09-2005 of Government of Madhya Pradesh, MPRI & RD tax @ 5% of basic coal price of reliable grade w.e.f. 30-09-2005 is levied on coal sold to customer by Northern Coalfields Ltd. The claim to the extent of Rs. 8800.98 lakhs has not been accounted for pending acceptance by the customer.
- 8.8 Government of Madhya Pradesh has claimed Land Revenue Premium for an amount of Rs. 6321.78 lakhs (previous year Rs. 7451.50 lakhs) to Northern Coalfields Ltd. against which Rs. 300.00 lakhs has been deposited under protest and no liability is provided in the accounts. However, during the year Rs. 1129.72 lakhs has been paid and capitalized under Land Acquisition Cost.
- 8.9 MP Cess and MAD Cess which were declared ultra-vires by the MP High Court in earlier years have been, revalidated upto 04-04-1991 as per the Cess and Other taxes on Mineral (validation) Ordinance, 1992 issued by the Government of India MP Government has agreed for net claim of MAD Cess. Balance claim of MAD after adjusting MP Cess amounting to Rs. 421.78 lakhs (previous year Rs. 421.78 lakhs)

including sales tax thereon on customers have not been accounted for by Northern Coalfields Ltd. pending formal acceptance of the same by them.

9. **Foreign Currency Loan**

- 9.1 The foreign currency loans drawn from IBRD and JBIC banks on account of Coal Sector Rehabilitation Project to be implemented in various subsidiaries has been shown under the head Unsecured Loan.

In terms of the agreement with IBRD and JBIC banks Coal India Ltd. has entered into back to back loan agreements with its participating subsidiaries and loans including effect of exchange rates variation thereon have been shown in the accounts.

- 9.2 Borrowing and other costs ( including exchange difference ) in respect of foreign currency loans obtained for subsidiaries have been recovered from the respective subsidiary companies. The company has entered into swap transaction against a portion of above stated borrowing and interest thereon. Gains/Losses arising out of swap transactions (except gain/loss on principal only swap which are being recovered from the respective Subsidiary Companies ) are being carried as Reserve for Foreign Exchange Transactions. Net result of the said swap transactions will be recovered / paid to subsidiary companies upon completion of repayment of foreign currency loans.

Un crystallized loss of 720.00 lakhs due to negative marked to market value of these swap transactions at year end has been shown as contingent liability which will be accounted for at the time of materialization thereof.

10. **General**

- 10.1 M/s Uttar Pradesh Rajkiya Vidyut Utpadan Nigam Ltd. has claimed to Northern Coalfields Ltd., incentive of Rs. 2405.00 lakhs under securitization scheme upto 31-03-2006 (previous year Rs. 2062.28 lakhs). Due to non fulfillment of certain conditions of securitization scheme by UPRVUNL, the claim has not been acknowledged and accounted for.

- 10.2 Rs.589.87 lakhs paid to WBHIDCO towards allotment of 15 acres of land at Newtown, Rajarhat, Kolkata. Pending finalization of conveyance deed and in absence of actual physical possession of the above land the same has been shown as advance.

- 10.3 In the mines located at N.E.C. there is no obligation towards backfilling etc. as the mines are very old and there is no Environmental Management Plan. In view of this, no provision is considered in the accounts as no liability is envisaged in this regard.

11. **Profit & Loss Accounts**

- 11.1 An amount of Rs. 10019.24 lakhs for grade slippage has been adjusted current year's sales of Eastern Coalfields Ltd. after reconciliation, settlement and issuing credit notes to parties during the year. Out of Rs. 10019.24 lakhs, Rs. 6231.58 lakhs relate to previous year's sale.

- 11.2 In support of relief/concession required for revival of Eastern Coalfields Ltd., according to BIFR sanctioned scheme, Government of West Bengal, Industrial Reconstruction Department, sanctioned a grant of waiver of electricity duty for five years from 2<sup>nd</sup>. November, 2004 vide its letter no. 40/PA/Pr. Secy./IRPE dated 30-08-2005. Accordingly a quantum of waiver of electricity duty from November, 2004 to January, 2006 in respect of Industrial duty paid has been worked out to Rs. 3431.86 lakhs for which a claim was lodged with the Director of Electricity, Government of West Bengal and taken as income in the accounts.

12. **Effect due to change in Accounting Policy**

- 12.1 Provision @ 10% was previously considered where the stock of coal; coke etc, are valued at N. R.V. As no provision is required the profit is increased by Rs.4373.35 lakhs
- 12.2 Valuation of W.I.P. at CRS / RRS in respect of revenue items was previously done. As no valuation & accounting is done profit is decreased by Rs. 1205.00 lakhs.

13. **Contingent Liabilities / Capital Commitments**

- 13.1 The amount remaining to be executed on capital account not provided for is Rs. 104924.36 Lakhs(52720.84 Lakhs).
- 13.2..Claims against the Company not acknowledged as debts are Rs.704170.27 Lakhs(884720.89 Lakhs).
- 13.3 As on 31.03.2006 outstanding letters of credit amounted to Rs.798.04 Lakhs( 2327.37 Lakhs).
- 13.4 Negative Marked to Market Valuation of outstanding position involving foreign currency transactions as on 31.03.2006 stood at Rs 720.00 Lakhs (3404.00 Lakhs)
- 13.5. The Company has given counter-guarantee to Government of India for loans obtained from JBIC & IBRD Banks and on lent to its Subsidiaries. The outstanding balance of which as on 31.03.2006 stood at Rs. 86297.42 Lakhs and Rs.95041.46 Lakhs respectively. Further the Company has also given guarantee for loans obtained by subsidiaries the outstanding balance of which as on 31.03.2006 stood at Rs 16007.85 Lakhs (Rs 16172.72 Lakhs).
- 13.6. As on 31.03.2006 outstanding Deferred payment guarantee issued by Banks amounted to Rs.4527.13 Lakhs (Rs 4955.14 lakhs).

Dr. H. Sarkar  
Company Secretary

P. Bhattacharya  
Chief General Manager(F)

S. Bhattacharya  
Director(F)

As per our report annexed  
For Mitra Kundu & Basu  
Chartered Accountants

Place:

Dated:

( S. Das )  
Partner

