

**NOTES ON THE ACCOUNTS FOR THE YEAR ENDED
31ST MARCH 2017**

1. SIGNIFICANT ACCOUNTING POLICIES

- I. The accounting system has been devised with a view to enabling presentation of financial accounts, in terms of the principal activities of the Port.
- II. The financial statements are prepared under the historical cost convention and on the accrual basis of accounting.
- III. Capital Assets are stated at cost less accumulated depreciation. Cost is inclusive of freight, duties, taxes and incidental expenses incurred at the time of acquisition/construction.
- IV. No depreciation and no revaluation is done on inventory. The inventory is taken at cost in the books.
- V. Investments are valued at cost after taking into consideration the commission and allied items.
- VI. Depreciation has been worked out following the straight-line method. The useful lives of the assets have been fixed in terms of guidelines issued by Government from time to time.
- VII. Revenue recognition:
 - a) Revenue is accounted by following accrual basis of accounting. Income arising from Cargo activities is accounted on completed service basis.
 - b) In case of sale of movable & immovable property, the income is accounted on receipt of sale price.
 - c) Revenue from sale of unclaimed goods is accounted after clearance of goods on sale except major items costing above Rs. 5 crore is accounted as income on attaining certainty of realization of sale proceeds.
- VIII. Upfront payment received on leasing of land plots will be amortized during the lease period. Premium if any received on leasing of land through tender will be taken to revenue account.
- IX. All Dollar denominated tariff is recovered in Indian Rupees after conversion of charges prescribed in dollar into its equivalent Indian Rupees at the market buying rate on the date of payment notified by the Reserve Bank of India, State Bank of India or its associates or any other Public Sector banks as may be specified from time to time as per provisions of SOR duly approved by the TAMP

2. NOTES TO ACCOUNTS

- I. Permission is granted vide TR No.59 of 28.09.2016 for continuing alternate use of the OCT for handling of Car Carriers (allowed vide TR 26 of 30.03.2015) till final decision is taken about re-organization of OCT Project with revenue share as approved by the Board by TR 104 of 28.10.2015 i.e. 72% to MbPT and 28% to the Licensee, if ICTPL levy tariff @ MbPT SOR and if ICTPL levy tariff @ 130% of tariff of MbPT, revenue share would be 55:45 i.e. 55% to MbPT and 45% to ICTPL. Though ICTPL is levying Berth Hire charges @ 130% of MbPT SOR and Wharfage @100% of MbPT SOR, the revenue share paid by them under both the scenario is 55%. An amount of Rs.52.86 crore is realized as revenue share and has been accounted for in cargo related income during the year.
- II. An amount of Rs.79,41,56,165.00 is received from Indian Coast Guard towards Upfront payment in connection with leasing of 150 mtrs length berth at Indira Dock for 30 years. The 1/30th portion of it, is accounted for as operating income and the remaining amount is kept for amortization in proportion during the remaining lease period as per the policy.
- III. Out of total amount of Rs.48,55,34,928 received from MMRDA in connection with allotment of land at Sewree for Mumbai Trans Harbour Link(MTHL), Rs.22,58,30,199.00 towards lease rent for the year is accounted for as lease rent under operating income and Rs.3,38,74,530.00 towards agreement charges have been treated as Finance & Miscellaneous Income. Rs. 22,58,30,199.00 received towards Security Deposit is accounted for as liability.
- IV. The Port has renewed its insurance on properties (TR 102/29.11.2016) with New India Assurance Co. Ltd. through insurance intermediary M/s.Sun Risk Management and Insurance Broking Services Pvt. Ltd for which annual insurance premium of Rs.5.21 crore is paid during the year.
- V. Wage revision is due to the employees of the Port w.e.f 01.01.2017. Bipartite negotiations are in progress. Pending settlement, proportionate provision for three months i.e January 2017 to March 2017 @ 15% of the salaries and wages amounting to Rs.25.64 crores has been made in the accounts.

VI. Rateable Value of Port Trust Properties

The fixation of ratable value of Port Trust properties by Govt. of India is pending since 1964-1969. Pending finalization the claim of MCGM for Rs. 31.38 crore and the claim of MbPT of Rs. 32.64 crore against maintenance cost is not accounted in the books.

VII. The Port has spent Rs.0.35 crore during the year 2016-17 from the Corporate Social Responsibility Fund. The Fund balance is Rs.7.72 crore as on 31.03.2017. No amount is contributed to this fund during the year in view of sufficient balance in the Fund.

VIII. With approval of the Board vide TR No.105 of 29.11.2016 Port has engaged 250 apprentices w.e.f 01.03.2017 under Skill India Programme of Govt of India for one year and has incurred an expenditure of Rs.16,11,588.12 towards stipend payment during the period.

IX Operating Expenditure incurred on Salary and Wages of Port Trust Security Staff and Medical Staff is regrouped and shown in Schedule – XI to the Profit and Loss Account.

X Gross and net block of fixed assets at the beginning of the year and at the end of the year 2016-17 showing additions, deletions, disposals, adjustments etc. have been displayed in the Schedule II to Balance Sheet as on 31.03.2017 in terms of Accounting Standard 10. During the year, no asset was revalued.

XI Information viz. Gross Block (historical cost), total depreciation provided till the end of previous year, depreciation during the current year, accumulated depreciation and the depreciated value (Net Block) have been furnished in the Schedule II to balance sheet.

XII. Information relating to investments viz. aggregate amount of quoted and non-quoted investment has been disclosed in the Schedule III to Balance Sheet as on 31.03.2017.

XIII. Project Financing:

(a) A Grant of Rs.7.50 crore has been received from Ministry of Tourism for construction of Boat landing jetty at Kanhoji Angre Light House and has been accounted for as liability. An amount of Rs.3.08 crores has been spent so far.

- (b) Agreement has been entered with Oil PSUs namely BPCL and HPCL for construction of Fifth Oil Berth at an estimated cost of Rs.811 crores. The Oil PSUs will share 50% of the project cost. An amount of Rs.75 crore has been received till date from PSUs.

XIV Contingent liabilities

- (a) Law suits amounting to Rs. 89.59 crore on various subject matters for and against MbPT are pending in various courts.
- (b) Demand on turnover tax alongwith penalty & interest amounting Rs. 2.26 crore for the period from 1991-1992 to 2004-2005 is subjudice under Writ Petition No. 1020 of 1990 before the Honorable High Court of Mumbai.

- (c) With regard to construction / upgradation work of JD 1, 2 & 3, the Hon'ble Single Judge of Bombay High Court by order dated 23.02.2016 has set aside the original Arbitration award dated 26.11.2011 passed by the Learned Arbitrator for a sum of Rs.64.91 crore with interest at the rate of 12% p.a. from the date of notice (06.12.2004) of Arbitration until the date of payment in favour of M/s AFCONS Infrastructure Ltd..

The Board by its Resolution No.133 of 16/01/2017 decided to continue legal recourse in the Court of Law in view of possible appeal by AFCONS in the Division Bench of Bombay High Court.

- (d) Based on actuarial valuation of Pension Fund, Gratuity Fund and Leave Encashment Fund, the accrued liability as on 31.03.2017 stood as follows:

(Rs. in crore)

	Actuarial Valuation as on 31.3.2017	Fund As on 31.3.2017	Balance (Short – Funding)
Pension Fund	10129.52	7566.00	2563.52
Gratuity Fund	619.00	441.91*	177.09*
Leave Encashment	307.73	8.31	299.42
Total	11056.25	8016.22	3040.03

* without considering interest for the year 2016-17 from ICICI Prudential, HDFC Standard Life and Canara HSBC OBC Life Insurance Company Ltd. as the same have not been communicated by them

- (e) Income Tax Assessment till A.Y.2014-15(FY 2013-14) have been completed by the concerned Assessing Officers.
In case of certain A.Y., demands have been raised on the assessed income. The amount of tax (demand) so computed by the Assessing Officers have been adjusted against the TDS refunds claimed from time to time. Appeals have been filed against these assessment orders and are at various Appellate Fora.
- (f) (i) A demand of Rs.21.19 crore plus penalty thereon for the period from October 2007 to January 2013 raised by Asstt. Commissioner, Service Tax-I Mumbai, for service tax on commission recovered from MCGM for collection of Octroi is pending. An appeal was filed by MbPT against this Service Tax Demand on 19.6.2015.
- (ii) A demand of Rs.31.88 lakh plus penalty of Rs.31.88 lakh for service tax on Estate Rentals received from Addl. Commissioner, Service Tax-I, Mumbai is pending. Appeal is filed and yet to come up for hearing.
- (iii) Demands of Rs.41.08 lakh and Rs.1.05 lakh for service tax on Terminal Charges received from Commissioner (Appeals)-I, Service Tax, Mumbai are pending.

XV Income Tax Liability

As the Port has reported net loss, there is no tax liability during the year and hence no provision has been made.

XVI. Deferred Tax

Accounting Standard 22 makes it mandatory for all organizations to account for deferred tax assets / liabilities from the year 2003-04 onwards. The Accounting Standard stipulates that the entries for deferred tax assets / liabilities are required to be done in respect of all items which cause timing difference in the computation of accounting income and taxable income.

The details of Deferred Tax Asset are as under:

	Particulars	Rs. In crore
A.	D.T.A. as on 31/03/2017 shown in Balance Sheet	386.92
B.	D.T.A. as on 31/03/2016	245.22
C.	Net D.T.A. shown in Profit & Loss A/c (A-B)	141.70

After the amendment of Section 2(15) of the Income Tax Act, 1961 in the Finance Act -2008 Deferred Tax Asset (DTA) has been reworked.

XVII Status of Assessments under the Income Tax Act.

With amendment in section 10(20) in Finance Act, 2002 exemption of Income Tax allowed to Ports as 'Local Authority' was withdrawn and Ports came under the purview of Income Tax Act, 1961 from the financial year 2002-03. As such the provisions of Income Tax Act viz. payment of Advance Tax, filing of return of Income by conducting Tax Audit, TDS, etc. became applicable to MbPT and duly complied with from time to time.

Pursuant to obtaining the registration certificate dated 08/09/2009 issued u/s 12AA (1)(b)(i) of I.T. Act, 1961, MbPT got the status as a 'Charitable Institution' w.e.f. 1/04/2002. Subsequently, Revised Returns for A.Y. 2003-04 to 2007-08 have been filed claiming exemption of income resulting refund claim of entire taxes paid for respective years and to allow the benefit of 'exempted income' u/s 11. However the Assessing Officer carried out the assessment u/s 143 and raised demand of Rs. 90.32 crore for these five years. Demands have been adjusted against the TDS refund due for various years. The Appeals have been filed for the same.

Till F.Y 2016-17, the assessment upto A.Y 2014-15 (F.Y 2013-14) have been completed. However the cases upto A.Y 2014-15 are at the various appellate forums.

During the year MbPT has received certificate u/s 197 of Income-Tax Act authorising the Port users, leases & tenants and Banks/Financial Institutes to deduct Tax at 0.54% applicable w.e.f. 22.08.2016 to 31.03.2017.

XVIII Retirement Benefits:

In accordance with Accounting Standard 15 and complying with the provisions of Income Tax Act the retirement benefits are separately shown in the financial statements.

- a) An irrevocable Pension Fund Trust has been created on 14.1.2004 and is approved by the Income Tax Commissioner. The balance in Pension Fund as on 31.3.2017 stood at Rs.7566.00 crore as against the actuarial valuation of Rs.10129.52 crore.
- b) An irrevocable Gratuity Fund Trust has been created to manage the gratuity liability and the fund balance as on 31.3.2017 stood at Rs.480.23 Crore as against actuarial valuation of Rs. 619.00 crore.

- c) The liability on Leave Encashment as on 31.03.2017 is Rs. 307.73 crore. The fund balance as on 31.03.2017 is Rs.8.31 crore. The expenditure on leave encashment is met from the Leave Encashment Fund during 2016-17.
- d) The General Provident Fund of the employees appointed before 01.01.2004 is managed by the Port and the fund balance stood at Rs.1479.05 crore as on 31.03.2017.

XIX National Pension System

National Pension System (NPS) introduced by the Central Govt. is made applicable to the employees who have been recruited on or after 01.01.2004. Board by TR No. 88 of 13.09.2012 accorded sanction for implementation of NPS in MbPT Employees' contribution and Employers matching contribution was remitted to PFRDA during 2016-17.

XX Shortfall between Funds and Investments:

The shortfall between funds and investment is as under.

(Rs. In Crores)	
Funds as on 31.03.2017	1690.42
Investment as on 31.03.2017	1063.49
Gap between Funds & Investments	626.93
Less :	
Accrued interest on investment	70.33
TDS on income	411.80
Balances with Banks	6.09
Actual shortfall between funds & Investment as on 31.03.2017	138.71

This actual shortfall has remained in the business in the form of Current Assets. Port has not borrowed any money for financing projects and for working capital.

XXI. Non-Performing Assets-

Investment of Rs.2474.72 crore is indicated as on 31.03.2017. This includes investments in bonds of UPSCMF (Rs.4 crore). The organization has defaulted in repayment of principle as well as interest. The interest receivable from the organization is Rs.7.47 crore. Legal action of recovery of dues has been initiated long back. Although the investment is matured during the F.Y 2002-03 & 2003-04, interest upto the year 2011-2012 has been accounted in the books at contractual rate while from the year 2012-2013, the interest has been accounted at a nominal rate of 0.01%.

XXII As per terms of settlement reached between MPEB & MbPT on direction of Hon'ble Bombay High Court, the principal amount of Rs.50 crore invested in MPEB Bonds have been received during the year alongwith 5 installments of interest amounting to Rs.41.76 crore thereon. Further instalments of interest will be received as a monthly basis.

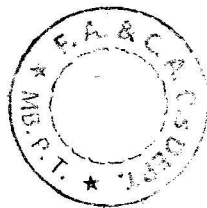
XXIII Bank Guarantees amounting to Rs.2.34 crores have been issued by MbPT in favour of Maharashtra Pollution Control Board (MPCB)

XXIV Assets retired from active use-

The following assets having Nil Book Value on 31.3.2107 have been retired from active use and action is being taken for their disposal.

Sl. No.	Name of the asset	Acquisition Cost (Rs.)
1	M. L. "Savitri"	2,94,078.16
2	Dredger "Vinayak"	1,26,74,000.00
3	Barge "Karanja"	1,94,00,000
4	Barge "Khanderi"	1,94,00,000
5	Split Hopper Barge No.13	71,76,342.67
6	P.L "Pallavi"	1,58,16,241.00
7	Mahindra Jeep No.MH-01-U-1423	3,04,244.00
8	Hindel Hammer Blind Valves on oil pipe connection, Sewri-Wadala	3,48,803.44
9	Salt water firefighting pipeline 10" dia. – FOB Salt water pump house to front side of Dock Master's office	39,54,501.48
10	M.T. Sushil	40,41,557.69
11	Yokohama Pneumatic Rubber Fender No.18	59,80,747.79
12	Ambassador Car MH-01-DA-163	4,10,770.00
13	Air compressor Atlas Capco – Model VT-250 PD	4,25,496.00
14	Radial drilling machine – Boiler Shop	34,002.79
15	14 Ton mobile crane Sr. No.23 Model S-1610	16,72,309.4
16	1 set of vaccum pump model No.2T200 Sr. No.152	70,082.00
17	Salt water pump Kirloskar make Model KDD 80/26	2,17,538.97
18	3 Nos. salt water firefighting pumps 100 HP	6,84,74,600.01

- XV The previous year figures have been shown for comparison purpose.
- XXVI The schedules form an integral part of the Balance Sheet and Revenue Account.
- XXVII In order to align with accrual system of accounting the estate rentals are taken on accrual basis as per bills raised from financial year 2013-2014.
- XXVIII Till the F.Y 2015-16 interest on employee advances was booked on cash basis. From the current year i.e 2016-17, interest on employee advances has been booked on accrual basis.




**Financial Adviser and
Chief Accounts Officer**
MAY2017

