

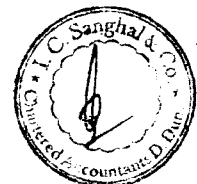
**AUDITOR'S REPORT TO THE MEMBERS OF UTTARANCHAL JAL
VIDYUT NIGAM LIMITED**

To,
The Members

We have audited the attached Balance Sheet of Uttaranchal Jal Vidyut Nigam Limited (U.J.V.N.L.) as at 31st March 2003 and the Profit & Loss Account of the Company for the year ended on 31st March, 2003 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on 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.

1. As required by the manufacturing and Other Companies (Auditor's Report) order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we give in the annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred in paragraph 1 above we report that, as referred in Note No. B(1) of Schedule XXII annexed to the Balance Sheet, in absence of final transfer scheme between UPJVNL and UJVNL, provisional balances as on 9-11-2001 have been incorporated in books of accounts. The accuracy of these opening balances of Assets & Liabilities could not be verified by us in absence of any agreement between UPJVNL & UJVNL. The details and breakup of Assets & Liabilities so transferred were not available and the consolidated balances have been incorporated in the financial statements of the Company for the year 2001-02. Consequently the opening balances of the specific Assets & Liabilities vested in the Company are



not identifiable or verifiable. In the absence of such details, we are unable to express our opinion on the correctness of the accounting of the transactions relating to such balances and also to verify and ascertain the true nature and proper disclosure of the balances appearing in the final accounts of the Company.

3. UNSECURED LOANS (Rs.248.14 Crores) Schedule III

In absence of finalization of the Transfer Scheme, the proportionate liability on account of the loan from LIC Rs. 43.78 Crs as referred in note no B (10) of Schedule XXII, could not be ascertained and verified by us.

4. FIXED ASSETS (Rs. 191.86 Crores) Schedule IV

(i) Records / Title deeds in respect of Land & Buildings in respect of large hydro units included in Schedule VI to the Balance Sheet have not been produced before us for our verification.

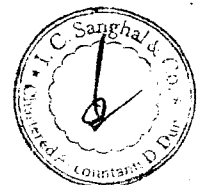
(ii) We have relied on the verification of Fixed Assets Register prepared by the consultants appointed by the Nigam. However the stock of spares at various units have not been allocated project wise. The impact, if any, on the final accounts of the Company is unascertainable.

(iii) The Company has maintained Fixed Assets Record except at R&D unit and Head Office of the Nigam.

(iv) The Company has not conducted physical verification of fixed assets during the year. It has been explained that it has been conducted in the Financial Year 2004-2005.

5. CAPITAL WORK IN PROGRESS (Rs 554.14 Crores) Schedule VI

The project-wise details of the opening balances in Capital Work in Progress incase of various units of erstwhile UPSEB, have not been furnished to us. In the absence of such details, it is not possible for us, to verify the physical existence, progress, expenses incurred and status of such projects.



6. CURRENT ASSETS, LOANS AND ADVANCES (Rs. 391.02 Crores)

(i) Detailed party-wise break-up of various head of Loans and Advances & other receivables have not been provided to us for verification. In absence of above details, we could not ascertain the nature of transactions under various heads. Hence impact, if any, of such balances on the financial results and Balance Sheet cannot be determined. Moreover the Balances are not confirmed and reconciled.

(ii) The grouping of Loans & Advances into less than six months and more than six months has not been made by the management.

(iii) INTER UNIT BALANCES (Dr. Rs.21.73 Crores) Schedule- VII :

The Opening Balances of Inter-Unit Accounts at the time of division of Assets & Liabilities between U.P.J.V.N.L & U.J.V.N.L have not been reconciled and the differences have not been adjusted in the books of account, and the impact of such unreconciled entries on the Balance Sheet and Profit & Loss of the Company cannot be ascertained.

(iv) STOCK, STORES AND SPARES (Rs. 1.84 Crores) Schedule VIII

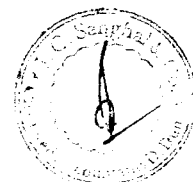
(a) The complete stocks of records and inventory as on 31-03-2003 have not been furnished to us.

(b) The necessary documents and supporting, relating to the valuation of closing stock have not been made available to us for verification, in respect of large Hydro Units.

7. CURRENT LIABILITES (Rs. 194.56 Crores) Schedule XII

(i) The balances under this head have not been reconciled and confirmed. The difference in balance and their impact on the financial statements and Balance Sheet could not be ascertained.

(ii) Detailed party wise breakup of various heads of current liabilities has not been provided to us for verification. In absence of above details, we could not ascertain the nature of transactions under various heads. Hence, impact if any, of such balances on the financial result and Balance sheet could not be determined.

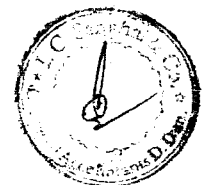


8. PROFIT & LOSS ACCOUNT

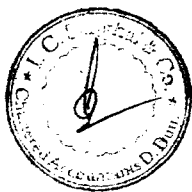
- 1- (a) Encashment of leave of employees is accounted for on cash basis, as per details given in note no. A (10) (i) of Schedule-XXII of the Balance Sheet. This is not in accordance with the Accounting Standard 15 on "Accounting for Retirement Benefit in the Financial Statement of Employers" issued by ICAI, which requires accounting of earned leave on accrual basis. The effect of liability in respect of leave encashment &, its loss to the Company cannot be ascertained.
- (b) Gratuity and pension of employees is accounted for on cash basis, as per details given in note no. B 18 of Schedule-XXII of the Balance Sheet is not in accordance with the Accounting Standard 15 on "Accounting for Retirement Benefit in the Financial Statement of Employers" issued by ICAI, which requires accounting of Gratuity and pension on accrual basis. Due to this the loss of the Nigam has been overstated by Rs. 164.19 Lacs.
- 2- As referred to note no. B (11) of Schedule XXII annexed to the Balance Sheet, the company has made various payments to Irrigation Department during the year & debited the same under Repairs & Maintenance on cash basis. This is not in accordance with the Accounting Standard 1 on "Disclosure of Accounting Policies" issued by ICAI, which requires accounting of expenses on accrual basis. The effect of liability in respect of payments to Irrigation Department on cash basis and its impact on profit & loss account cannot be ascertained.

Subject to our observations and comments referred to in Para 1 to 8 above, we report that:

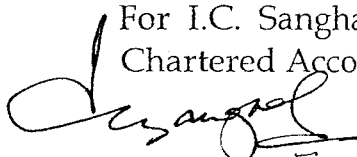
- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



- ii) In our opinion, proper books of accounts as required by the law, have been kept by the Company, so far as it appears from our examination of those books.
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account.
- iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, except as stated in para 8(1 & 2).
- v) As per the information and explanations given to us, none of the Directors of the Company are disqualified from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to explanations given to us the said accounts read with the notes there on give the information as required by the Companies Act, 1956 in the manner so required, the said accounts give a true and fair view in conformity with accounting principles generally accepted in India.
- a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2003;
- b) In the case of Profit & Loss Account, of the LOSS for the period ended on that date.



17-Rajpur Road, Dehradun
Dated : 19-8-2006

For I.C. Sanghal & Co.
Chartered Accountants


(I.C. Sanghal)
Partner

ANNEXURE TO THE AUDITOR'S REPORT

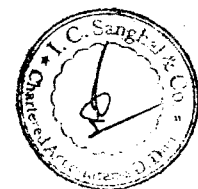
(Referred to in paragraph 1 of our report of even date)

Reg : Uttaranchal Jal Vidyut Nigam Ltd.

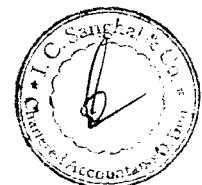
1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.

As per the information and explanations given to us, the Fixed Assets of the Company have been physically verified by the consultants appointed by the management during the year 2004-05, except for R&D and Head office Dehradun, which in our opinion is reasonable having regard to the size of the company and nature of its assets. Please also refer Para 4 of the main Auditors Report.

2. As per the information and explanations given to us, none of the fixed assets have been revalued during the year.
3. As per the information and explanations given to us, the stock, stores and spares have been physically verified by the management. Please also refer Para 6 (iv) of the main Auditors Report.
4. In our opinion and according to the information and explanation given to us the procedure followed in the physical verification of stocks is reasonable and adequate in relation to the size of the company and nature of its business.
5. As per the information and explanations given to us, no material discrepancies have been noticed during physical verification of stocks as compared to books of account.
6. We are unable to express our opinion on valuation of stock in absence of complete stock records & inventory in some of the units.
7. The company has not taken or granted any loan, secured or unsecured from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.



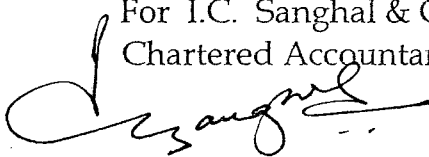
8. The detailed party wise breakups of various heads of loans and advances have not been provided to us for verification. Hence, we are unable to ascertain the nature of various heads of loans and advances given by the company and whether they are being repaid by the parties as per stipulation and are regular in payment of interest, wherever applicable. Please also refer Para 6(i) & (ii) of the main Auditors Report.
9. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of company and the nature of its business with regard to purchase of store, components, plant and machinery, equipments and other assets and for the sale of goods.
10. In our opinion and according to the information and explanation given to us, the transactions of purchase of stores, components and other materials for repair and maintenance and sale of goods made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000.00 or more in respect of each party have been made at prices, which are reasonable having regard to prevailing to market prices for such goods or materials where such market prices are available with the company or to the prices at which transactions for similar goods have been made with other parties.
11. In our opinion and according to information & explanation given to us, the company has regular procedure for determination of unserviceable and damaged stores.
12. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public with in the meaning of Section 58 A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.
13. In our opinion and according to the information and explanation given to us, reasonable records have been maintained by the company for the sale and disposal of scrap.
14. The internal Audit system for this accounting period has been implemented during the accounting period, which prima facie is commensurate with the size of company and nature of its business.



15. According to the information and explanations given to us, the maintenance of cost records has been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of power generating activities of the company. In our opinion and to the best of our information, company has maintained cost records in formats prescribed by the Central Government Order.
16. According to the information and explanations given to us, Provident Fund dues have generally been regularly deposited during the year with the appropriate authorities.
17. According to the information and explanations given to us, there are no undisputed amounts payable in respect on income tax, wealth tax, customs duty, excise duty and sales tax outstanding as at 31st March 2003.
18. According to the information and explanations given to us, and the records of the company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. In our opinion an according to the information and explanation given to us, the company is not a Sick Industrial Company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.



17-Rajpur Road, Dehradun
Dated : 19-8-2006

For I.C. Sanghal & Co.
Chartered Accountants

(I.C. Sanghal)
Partner

Annexure to the Directors Report

Comments of statutory Auditors and Management Replies thereto for the FY 2002-03

Comments of Statutory Auditors	Management Reply
<p>1. As referred in Note No. B(1) of Schedule XXII annexed to the Balance Sheet, in absence of final transfer scheme between UPJVNL and UJVNL, provisional balances as on 9-11-2001 have been incorporate in books of accounts. The accuracy of these opening balances of Assets & Liabilities could not be verified by us in absence of any agreement between UPJVNL & UJVNL. The details and breakup of Assets & Liabilities so transferred were not available and the consolidated balances have been incorporated in the financial statements of the Company for the year 2001-02. Consequently the opening balances of the specific Assets & Liabilities vested in the Company are not identifiable or verifiable. In the absence of such details, we are unable to express our opinion on the correctness of the accounting of the transactions relating to such balances and also to verify and ascertain the true nature and proper disclosure of the balances appearing in the final accounts of the Company.</p>	<p>The issue of Settlement of opening balances with UP Jal Vidyut Nigam Limited is under process. The same shall be adjusted in the books of Accounts, in the year of settlement.</p>
<p>2. Unsecured loans (Rs. 248.14 crores) Schedule III</p> <p>In absence of finalization of the Transfer Scheme, the proportionate liability on account of the loan from LIC Rs. 43.78 Crs as referred in note no. B (10) of Schedule XXII, could not be ascertained and verified by us.</p>	<p>The issue of Settlement of LIC loan with UP Jal Vidyut Nigam Limited had been referred to Ministry of Power, GOI for final decision. The same shall be adjusted in the books of Accounts, in the year of settlement.</p>

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<p>3.Fixed Assets (Rs. 191.86 Crores) Schedule IV</p> <p>(i) Records/ Title deeds in respect of Land & Building in respect of large hydro units included in Schedule VI to the Balance Sheet have not been produced before us for our verification.</p> <p>(ii) We have relied on the verification of fixed Assets Register prepared by the consultants appointed by the Nigam. However the stock of spares at various units have not been allocated project wise. The impact, if any, on the final accounts of the Company is unascertainable.</p> <p>(iii) The Company has maintained Fixed Assets Record except at R&D unit and Head Office of the Nigam.</p> <p>(iv) The company has not conducted a physical verification of fixed assets during the year. It has been explained that it has been conducted in the Financial Year 2004-05.</p>	<p>Most of the Lands had been given on lease by Forest department of Uttarakhand to Irrigation department and the same are under the use of the Nigam. Step are being taken to transfer the land records in the name of the Nigam.</p> <p>Efforts are being made to allocate Stock of Spares lying at various units to individual projects.</p> <p>Fixed Assets records of R&D and Head Office have since been maintained.</p> <p>Physical verification of Fixed assets has been conducted during the finance year 2004-05 by M/s Sushil Jeet Purta & Co. Chartered Accountants except of Assets of different offices located at Dehradun.</p>
<p>4. Capital work in progress (Rs. 554.14 Crores) Schedule VI</p>	

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The project-wise details of the opening balances in Capital Work in Progress incase of various units of erstwhile UPSEB, have not been furnished to us. In the absence of such details, it is not possible for us, to verify the physical existence, progress, expenses incurred and status of such projects.

The issue of Settlement of opening balances with UP Jal Vidyt Nigam Limited is under process. The same shall be adjusted in the books of Accounts, in the year of settlement

5. Current Assets, Loans and Advances (Rs. 391.02 Crores)

A. Loans and Advances

- (i) Detailed party-wise break-up of various head of Loans and Advances & other receivables have not been provided to us for verification. In absence of above details, we could not ascertain the nature of transactions under various heads. Hence impact, if any, of such balances on the financial results and Balance Sheet cannot be determined. Moreover the Balances are not confirmed and reconciled.
- (ii) The grouping of Loans & Advances into less than six months and more than six months has not been made by the management

The head-wise details of Loans and advance and other receivables would be determined and reconciled only after finalization of transfer Scheme with UPJVNIL.

The same is not required as per Schedule -VI of Companies Act.

B. Inter unit Balances (Dr-21.73 Crores) Schedule-VII

- (i) The opening balances of Inter-Unit Accounts at the time of division of Assets & Liabilities between U.P.J.V.N.L. & U.J.V.N.L. have not been reconciled and the differences have not been adjusted in the books of account, and the impact of such unreconciled entries on the Balance Sheet and Profit & Loss of the Company cannot be ascertained.

The issue of Settlement of opening balances with UP Jal Vidyt Nigam Limited is under process. The same shall be adjusted in the books of Accounts, in the year of settlement

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<p>C. Stock, Stores and Spares (Dr.1.84 Crores) Schedule-VIII</p> <p>(i) The complete stocks or records and inventory as on 31-03-2003 have not been furnished to us. The necessary documents and supporting, relating to the valuation of closing stock have not been made available to us for verification, in respect of large Hydro units.</p>	<p>There was an established procedure in erstwhile UPSEB for maintaining stocks at sub division/ division level, the same procedure remained in force in Nigam during year 2002-03 also</p>
<p>7. Current Liabilities (Rs. 194.56 Crores) Schedule - XII</p> <p>(i) The balances under this head have not been reconciled and confirmed. The difference in balance and their impact on the financial statements and Balance Sheet could not be ascertained.</p> <p>(ii) Detailed party wise breakup of various heads of current liabilities has not been provided to us for verification. In absence of above details, we could not ascertain the nature of transactions under various heads. Hence, impact if any, of such balances on the financial result and Balance Sheet could not be determined.</p>	<p>The issue of Settlement of opening balances with UP Jal Vidyut Nigam Limited is under process. The same shall be adjusted in the books of Accounts, in the year of settlement</p> <p>The issue of Settlement of opening balances with UP Jal Vidyut Nigam Limited is under process. The same shall be adjusted in the books of Accounts, in the year of settlement</p>
<p>8. Profit & Loss Account</p> <p>1- (a) Encashment of leave of employees is accounted for on cash basis, as per details given in note no. A (10) (i) of Schedule - XXII of the Balance Sheet. This is not in accordance with the Accounting Standard 15 on "Accounting for Retirement Benefit in the Financial Statement of Employers" issued by ICAI, which requires accounting of earned leave on accrual basis. The effect of liability in respect of leave encashment &, its loss to the Company cannot be ascertained.</p>	<p>Steps are being taken to compute the value of Leave Encashment on Actuarial valuation basis and same would be adjusted & accounted for in future Accounts.. However for the intermediate period, the same is in line with the then Accounting policies of the Nigam.</p>

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(b) Gratuity and pension of employees is accounted for on cash basis, as per details given in note no. B 18 of Schedule -XXII of the Balance Sheet is not in accordance with the Accounting Standard 15 on "Accounting for Retirement Benefit in the Financial Statement of Employers" issued by ICAI, which requires accounting of Gratuity and pension on accrual basis. Due to this the loss of the Nigam has been overstated by Rs. 164.19 Lacs.

c) As referred to note No. B (11) of Schedule XXII annexed to the Balance Sheet, the Company has made various payments to Irrigation Department during the year & debited the same under Repairs & Maintenance on cash basis. This is not in accordance with the Accounting Standard 1 on "disclosure of Accounting Policies" issued by ICAI, which requires accounting of expenses on accrual basis. The effect of liability in respect of payments to Irrigation Department on cash basis and its impact on profit & loss account cannot be ascertained

Previously, the provisions were being made at predetermined rate of 19.08% of the Basic Salary & Dearness Allowance towards gratuity and pension as fixed by UPPCL. Subsequently, Government of Uttaranchal had taken over the liabilities w.e.f. March 2004 against payment of 19.08% of the Basic Salary & Dearness Allowance. In view of the above, the same has been provided for on cash basis, as the actual liability up to Feb. 2004 on this account would have to be borne by the Nigam.

This fact has been disclosed under Notes on Accounts. However this is noted for future guidelines.

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Annexure to the Auditor's report			
1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.	As per the information and explanations given to us, the Fixed Assets of the Company have been physically verified by the consultants appointed by the management during the year 2004-05, except for R&D and Head Office Dehradun, which in our opinion is reasonable having regard to the size of the company and nature of its assets. Please also refer Para 4 of the main Auditors Report.	No comments	Fixed Assets records of R&D and Head Office have since been maintained.
2. As per the information and explanations given to us, none of the fixed assets have been revalued during the year		No Comments	
3. As per the information and explanations given to us, the stock, stores and spares have been physically verified by the management. Please also refer Para 6 (iv) of the main Auditors Report.		No Comments	
4. In our opinion and according to the information and explanation given to us, the procedure followed in the physical verification of stocks is reasonable and adequate in relation to the size of the company and nature of its business.		No Comments	
5. As per the information and explanations given to us, no material discrepancies have been noticed during physical		No Comments	

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verification of stocks as compared to books of account.		
6. We are unable to express our opinion on valuation of stock in absence of complete stock records & inventory in some of the units.	Steps are being taken to compile the same.	
7. The company has not taken or granted any loan, secured or unsecured from/ to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.	No Comments	
8. The detailed party wise breakups of various heads of loans and advances have not been provided to us for verification. Hence, we are unable to ascertain the nature of various heads of loans and advances given by the company and whether they are being repaid by the parties as per stipulation and are regular in payment of interest, wherever applicable. Please also refer Para 6(i) & (ii) of the main Auditors Report.	The head-wise details of Loans and advance and other receivables would be determined and reconciled only after finalization of transfer Scheme with UPJVNL.	
9. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of company and the nature of its business with regard to purchase of store, components, plant and machinery, equipments and other assets and for the sale of goods.	No Comments	
10. In our opinion and according to the information and explanation given to us, the transactions of purchase of stores, components and other materials for repair and maintenance and sale of goods made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act. 1956 and aggregating during the year to Rs. 50,000.00 or more in respect of each party have been made at prices, which are reasonable having regard prevailing to market price for such goods or materials where such market prices are available with the company or to the prices at which	No Comments	

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transactions for similar goods have been made with other parties.		
11. In our opinion and according to information & explanation given to us, the company has regular procedure for determination of unserviceable and damaged stores.	No Comments	
12. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public with in the meaning of Section 58 A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975	No Comments	
13. In our opinion and according to the information and explanation given to us, reasonable records have been maintained by the company for the sale and disposal of scrap.	No Comments	
14. The internal Audit system for this accounting period has been implemented during the accounting period, which prima facie is commensurate with the size of company and nature of its business.	No Comments	
15. According to the information and explanations given to us, the maintenance of cost records has been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of power generating activities of the company. In our opinion and to the best of our information, the company has maintained cost records, in formats prescribed by the Central Government Order.	No Comments	
16. According to the information and explanations given to us, Provident Fund dues have generally been regularly deposited during the year with the appropriate authorities.	No Comments	
17. According to the information and explanations given to us, there are no undisputed amounts payable in respect on income tax, wealth tax, customs duty, excise duty and sales tax	No Comments	

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outstanding as at 31 st March 2003.		No Comments
18. According to the information and explanations given to us, and the records of the company examined by us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.		
19. In our opinion an according to the information and explanations given to us, the company is not a Sick Industrial Company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.		No Comments

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