

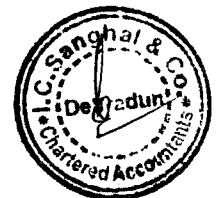
**AUDITOR'S REPORT TO THE MEMBERS OF UTTARANCHAL JAL
VIDYUT NIGAM LIMITED**

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 2004 and the Profit & Loss Account of the Company for the year ended on 31st March, 2004 annexed thereto and also the Cash Flow Statement for the year ended on that date. 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, 2003 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

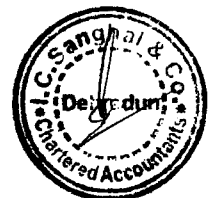


also to verify and ascertain the true nature and proper disclosure of the balances appearing in the final accounts of the Company.

3. UNSECURED LOANS (Rs.475.23 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. 204.84 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 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 except for the units located at Dehradun region.
5. CAPITAL WORK IN PROGRESS (Rs 797.17 Crores) Schedule VI
The project-wise details of the opening balances in Capital Work in Progress in case 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. 543.08 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 can not 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) The balance in FDR account shown in the Balance Sheet is not reconciled. The confirmation from bank was not made available for verification. Its impact if any, on the financial statements cannot be ascertained.



- (iv) **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 and Loss of the Company cannot be ascertained.
- (v) **STOCK, STORES AND SPARES (Rs. 3.73 Crores) Schedule VIII**
- (a) The complete stock records and inventory as on 31.03.2004 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.
- (c) The details of stock lying with the contractor is not quantified in the financial statements and its confirmation from them has not been made available to us for verification. Hence, impact if any, of such balances on the financial statement could not be determined.
7. **CURRENT LIABILITES (Rs. 334.83 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 Statement could not be determined. .
8. **BORROWING COST**
In terms of Accounting Standard (AS-16) on Borrowing Cost issued by "The Institute of Chartered Accountants of India", requires discloser of Borrowing Cost Capitalized during the period but the same has not been disclosed in the Notes on Accounts.
9. **RENOVATION & MODERNISATION FUND**
The management of the Nigam as per the U.E.R.C. order dated 16-12-2004, had to provide for Renovation & Modernization Fund for the excess rate charged from U.P.C.L. for sale of power. In the case of Kulhal Unit, it was observed that Renovation & Modernization Fund statutorily required to be Created is Rs. 0.95



Crores whereas actual Renovation & Modernization Fund Created is Rs. .71 Crores, thus the profit of the Nigam is overstated by Rs. 0.24 Crores.

10. ACCOUNTING FOR TAXES ON INCOME

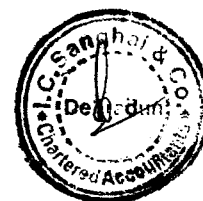
In terms of the Accounting Standard (AS -22) on Accounting For Taxes On Income, issued by the "Institute Of Chartered Accountants of India", the management of the Nigam has recorded the cumulative net Deffered Tax Liabilities in respect of Timing Difference as at 31.3.2003, for Rs. 11.15 Crores, should have been routed through Reserve & Surplus Account, but the same had been routed through Current Year's Profit & Loss Account, which is not in conformity with AS -22 issued by the ICAI.

Further the breakup of Deferred Tax Assets and Deferred Tax Liabilities into major components of the respective balances is not disclosed in the Notes on Accounts.

Further the Deferred Tax Liabilities created during the year, should have been shown below the Unsecured Loans, but the same had been shown under the head current liabilities, which is not in conformity with AS -22 issued by the ICAI.

11. PROFIT & LOSS ACCOUNT

- i) 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 to the Accounting Standard 15 on "Accounting for Retirement Benefit in the Financial Statement of Employers" issued by ICAI. The effect of liability in respect of leave encashment &, its loss to the Company cannot be ascertained.
- ii) The management of the Nigam has not disclosed the break up of the Prior Period Income of Rs. 19.25 Crores credited in current years Profit & Loss account. This is not in accordance with Accounting Standard (AS-5), on Net Profit or Loss for the Period, Prior Period Items and changes in "Accounting Policies, issued by The Institute of Chartered Accountants of India."
- iii) As per Point No. (B) 13 of schedule XXII of the financial statements no provision has been made in the books of accounts for various amount deducted by UPCL from the bills of the Nigam for various reasons. The amount of provision to be created cannot be quantified as such its impact on the financial statements cannot be ascertained.



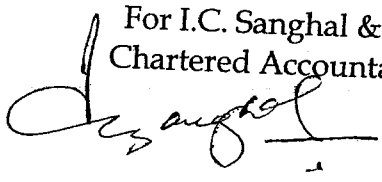
Subject to our observations and comments referred to in Para 1 to 11 above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) 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.
 - c) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account.
 - d) In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement 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(i).
 - e) 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.
 - f) 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 principals generally accepted in India.
- (1) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2004;
 - (2) In the case of Profit & Loss Account, of the PROFIT for the period ended on that date.
 - (3) In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.



17-Rajpur Road, Dehradun
Dated: **13 JUN 2007**

For I.C. Sanghal & Co.
Chartered Accountants



(I.C. Sanghal)
Partner

ANNEXURE TO THE DRAFT AUDITOR'S REPORT
(Referred to in paragraph 1 of our report of even date)
REG: Uttaranchal Jal Vidyut Nigam Ltd.

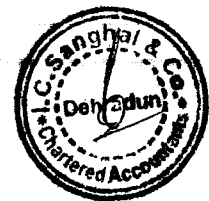
1. In Respect of its fixed assets :
 - a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
 - b) As per the information and explanations given to us, the Fixed Assets of the Company have been physically verified by the consultants appointed by the management during the financial year 2004-05, except for units located at Dehradun Region, 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.
 - c) In our opinion, the company has not disposed off a substantial part of fixed assets during the financial year and therefore paragraph 4(i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the order) is not applicable.

2. In respect of its inventories :
 - a) As explained to us Physical verification of inventory has been conducted by the management during the year and, in our opinion, the frequency of verification is reasonable. Please also refer Para 6 (v) of the main Auditors Report.
 - b) 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. Please also refer Para 6(v) of the main Auditor's Report.
 - c) The company is maintaining proper records of inventories. As explained to us there were no material discrepancy noticed on physical verification of inventory as compared to the book records (Please also refer para 6(v) of the main audit report)

3. 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. The Company had neither granted nor taken any loans, secured or unsecured, to /from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and therefore paragraph 4(iii) of the said order is not applicable.



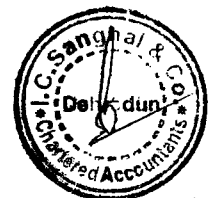
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of company and the nature of its business with regard to purchase of store, components, plant and machinery, equipments and other assets and for the sale of goods.
 5. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956, and therefore paragraph 4(v) of the said order is not applicable.
 6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public to which the provisions of section 58A & 58AA of the Companies Act, 1956 and the Rules framed there under and therefore paragraph 4(vi) of the said Order is not applicable.
 7. In our opinion, the Internal audit system of the company is commensurate with the size of company and nature of its business.
 8. We have broadly reviewed the books of accounts maintained by the company relating to power generating activities of the company, pursuant to the Rules made by the Central Government the maintenance of cost records has been prescribed under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are true or not.
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9.
 - a) In our opinion and according to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, cess and other statutory dues applicable to it with the appropriate authorities.
 - b) According the information and explanation given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess outstanding as at 31st March 2004, for a period of more than six months from the date they become payable.



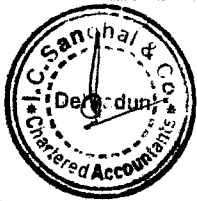
10. According to the information and explanation given to us, the following are the particulars of disputed dues on account of Sales Tax, Income Tax, and Customs duty that have not been deposited, however it has been stayed by CIT Dehradun.

Name of the Statute	Nature of dues	Amount of demand net of deposits (Rs in Lacs)	Period to which it relates	Forum where dispute is pending.
-Do-	Demand for the A.Y 2004-05	Demand raised for Rs 15.13 Crores, which has been stayed by CIT.	A.Y 2004-05	Appeal is pending before CIT (Appeals) Dehradun.

11. The Company has accumulated losses of Rs. 15.13 Crores as on 31st March 2004 which is not more than fifty percent of its net worth. The company has incurred cash loss of Rs. 12.73 Crores during the preceding financial year.
12. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of dues to banks and financial institutions.
13. According to the information and explanation given to us and based on the documents and records produced to us, the company has not taken or granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
14. The Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. The Company is not dealing or trading in shares, securities, debentures and other investments and therefore paragraph 4(xiv) of the order is not applicable.
16. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions and therefore paragraph 4(xv) of the order is not applicable.
17. Based on the audit procedure applied by us & according to the information & explanation given to us, the term loans availed by the Company during the year were, prima facie, applied for the purposes for which they were taken.
18. According to the information and explanations given to us and an overall examinations of the balance sheet of the Company, in our opinion, funds raised on short term basis have, prima facie, not been used for long term investments and vice versa.
19. The company has not made any preferential allotment of shares during the year and therefore paragraph 4(xviii) of the order is not applicable.



20. The Company has not raised any debentures during the year and therefore paragraph 4(xix) of the order is not applicable.
21. The Company has not raised any money by way of public issues during the year and therefore paragraph 4(xx) of the order is not applicable.
22. in our opinion and according to the information and explanations given to us by the management, we report that no fraud on or by the company has been notice or reported during the year.



17-Rajpur Road, Dehradun

Dated : **13 JUN 2007**

For I.C. Sanghal & Co.,
Chartered Accountants,

A handwritten signature in black ink, appearing to read "I.C. Sanghal", written over a horizontal line.

(I.C. Sanghal)
Partner

Annexure to the Directors Report

Comments of statutory Auditors and Management Replies thereto for the FY 2003-04

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. 475.23 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.</p>	<p>Central Government vide its order dated 2-9-2005 has order allocation of Rs. 352.59 Crore as total liability against HEP Project transferred to Uttaranchal state for LIC loan. UJVNL has disputed as those were not project specific and hence liability of UJVNL can at limited to 10% as per</p>

<p>3. Fixed Assets (Rs. 204.84 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>Central Government Order dated 5-11-01. The issue of Settlement of LIC loan with UP Jal Vidut Nigam Limited had been referred to Ministry of Power, GOI by Government of Uttarakhand for amending the order dated 2-9-2005 and settle the issue according to Central Government Order dated 5-11-01. The final decision of GOI is yet to be received from Govt. of Uttarakhand.</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>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. All Buildings constructed & situated at LHPs are part of transfer scheme from UPJVNL for which settlement is under process.</p> <p>Efforts are being made to allocate Stock of Spares lying at various units to individual projects in subsequent years.</p>
<p>(iii) 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 2004-05 except for the unit located at Dehradun</p>	<p>Noted</p>

<p>4. Capital work in progress (Rs. 797.17 Crores) Schedule VI</p> <p>The project wise details of the opening balances in Capital Work in Progress In case 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.</p>	<p>The issue of Settlement of opening balances with UP Jai Vidyut Nilgam Limited is under process. The same shall be adjusted in the books of Accounts, in the year of settlement.</p>
<p>5. Current Assets, Loans and Advances (Rs. 543.08 Crores)</p> <p>A. Loans and Advances</p> <p>(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.</p> <p>(ii) The grouping of Loans & Advances into less than six months and more than six months has not been made by the management.</p> <p>(iii) The balance in FDR account shown in the balance sheet is not reconciled. The confirmation from bank was not made available for verification. Its impact if any, on the financial statement can not be ascertained.</p>	<p>The head-wise details of Loans and advance and other receivables would be determined and reconciled only after finalization of transfer Scheme with UPJVNL.</p> <p>The Classification of Six Month and More than Six Month old applies to S. Debtors.</p> <p>The same has been reconciled as on 31st March, 2005.</p>

<p>B. Inter unit Balances (Dr. 21.73 Crores) Schedule - VII</p> <p>The opening balances of Inter-Unit Accounts at the time of division of Assets & Liabilities between UPJVNL & UJVNL 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.</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>C. Stock, Stores and Spares (Dr. 3.73 Crores) Schedule - VIII</p> <p>(i) The complete stocks or records and inventory as on 31-03-2004 have not been furnished to us.</p> <p>(ii) The necessary documents and supporting, relating to the valuation of closing stock have not been made available to us for verification.</p> <p>(iii) The details of stocks lying with contractors is not quantified in the financial statement and its confirmation from them has not been made available to us for verification. Hence, impact if any, of such balances on the financial statement could not be determined.</p>	<p>Noted</p>
<p>6. Current Liabilities (Rs. 334.83 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.</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>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>7. Borrowing Cost</p> <p>In terms of Accounting Standard (AS-16) on Borrowing Cost issued by "The Institute of Chartered Accountants of India", requires discloser of Borrowing Cost Capitalized during the period but the same has not been disclosed in the Notes on Accounts.</p>	<p>This is noted for compliance in subsequent years.</p>
<p>8. Renovation & Modernisation Fund</p> <p>The management of the Nigam as per the U.E.R.C. order dated 16.12.2004, had to provide for renovation & Modernisation fund for the excess rate charged from U.P.C.L. for sale of power. In the case of Kulhal Unit, it was observed that Renovation & Modernisation fund statutorily required to be created is Rs. 0.95 Crores whereas actual Renovation & Modernisation Fund Created is Rs. 71 Crores, thus the profit of the Nigam is overstated by Rs. 0.24 Crores.</p>	<p>Noted The difference of Rs. 0.24 Crores would be accounted for in the accounts for financial Year 2004-05.</p>
<p>9. Accounting For Taxes on Income</p> <p>In terms of the Accounting Standard (AS-22) on Accounting for Taxes on Income, issued by the "Institute of Chartered Accountants of India", the management of the Nigam has recorded the cumulative net Deferred Tax Liabilities in respect of Timing Difference as at 31.3.2003, for Rs. 11.15 Crores, should have been routed through Reserve & Surplus Account, but the same had been routed through Current Year's Profit & Loss Account, which is not in conformity with AS-22 issued by the ICAI.</p>	<p>This is noted for compliance in subsequent years.</p>

Further the breakup of Deferred Tax Assets and Deferred Tax liabilities into major components of the respective balances is not disclosed in the notes on Accounts.

Further, The Deferred Tax Liabilities created during the year, should have been shown below the Unsecured Loans, but the same had been shown under the head current liabilities, which is not in conformity with AS -22 issued by the ICAI.

10. 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 and its loss to the Company cannot be ascertained.

(b) The management of the Nigam has not disclosed the breakup of the Prior Income of Rs. 19.25 Crores credited in current years Profit and Loss account. This is not in accordance with Accounting Standards -5, on net profit or loss for the period, prior period items and change in "Accounting Policies, issued by The Institute of Chartered Accountants of India"

(c) As per Point No. (B) 13 of Schedule XXII of the Financial statement on provision has been made in the books of accounts for various amount deducted by UPCL from the bills of the Nigam for various reasons the amount of provision to be credited can not be quantified as such its impact on the financial statement can not be ascertained.

Steps are being taken to compute the value of Leave Encashment on Actuarial valuation basis and same would be adjusted and accounted for in future Accounts. However for the intermediate period, the same is in line with the then Accounting policies of the Nigam.

This is noted for compliance in subsequent years. However, the details had been shown to Statutory Auditors.

Under Reconciliation

Annexure to the Auditor's Report

<p>1. In Respect of its fixed assets</p> <p>a. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.</p> <p>b. As per the information and explanation 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 units located at Dehradun Region, 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.</p> <p>c. In our Opinion, the company has not disposed off a substantial part of fixed assets during the financial year and therefore paragraph 4 (i) (c) of the Companies (Auditors Reports) order, 2003 (hereinafter referred to as the order) is not applicable.</p>	<p>No comments</p> <p>Fixed Assets records of R & D and Head Office have since been maintained.</p>
<p>2. In respect of its inventories</p> <p>a. As explained to us physical verification has been conducted by the management during the year and, in our opinion, the frequency of verification is reasonable. Please also refer Para 6 (iv) of the main Auditors Report.</p> <p>b. 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. Please also refer Para 6 (iv) of the main Auditors Report.</p> <p>c. The Company is maintaining proper records of inventories. As explained to us, no material discrepancies have been noticed during physical Verification of stocks as compared to books records. (Please also refer Para 6 (v) of the main Auditors Report.)</p>	<p>No comments</p> <p>No comments</p> <p>No comments</p>

<p>3. 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. The company had neither granted nor taken any loan, secured or unsecured, to/from companies firms or other parties listed in the register maintained under section 301 of the companies Act, 1956 and therefore paragraph 4(iii) of the said order is not applicable.</p>	<p>No comments</p>
<p>4. 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.</p>	<p>No comments</p>
<p>5. In our opinion and according to the information and explanation given to us, there are no transaction that need to be entered in the register maintained under section 301 of the Companies, and therefore paragraph 4(v) of the said order is not applicable.</p>	<p>No comments</p>
<p>6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public to which the provision of Section 58 A & 58AA of the Companies Act, 1956 and the Rules framed there-under and therefore paragraph 4(vi) of the said Order is not applicable.</p>	<p>No comments</p>
<p>7. In our Opinion, the internal Audit system of the company is commensurate with the size of company and nature of its business.</p>	<p>No comments</p>

<p>8. We have broadly reviewed the books of accounts maintained by the company, pursuant to the Rules made by the Central government the maintenance of cost records has been prescribed under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however, made a detailed examination of the records with a view to determine whether they are true or not.</p>	<p>No comments</p>
<p>9. a) In our opinion and according to the information and explanation given to us, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, custom duty, cess and other statutory dues applicable to it with the appropriate authority. b) Accordingly the information and explanation given to us, there are no undisputed amount payable in respect to Income Tax, Wealth Tax, Sales Tax, Custom duty, excise duty and cess outstanding as at 31st March, 2004, for a period of more than six months from the date they become payable.</p>	<p>No comments</p>
<p>10. According to the information and explanation given to us the particulars of disputed dues on accounts of Sales Tax, Income Tax and Custom duty that have not been deposited, however it has been stayed by CIT Dehradun.</p>	<p>No comments</p>
<p>11. The Company has accumulated Losses of Rs. 15.13 Crores as on 31st March, 2004 which is not more than fifty percent of its net worth. The Company has incurred cash loss of Rs. 12.73 Crores during the preceding financial year.</p>	<p>No comments</p>

<p>12. In our Opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to banks and financial institutes.</p>	<p>No comments</p>	
<p>13. According to the information and explanation given to us and based on the documents and records produced to us, the company has not taken or granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities.</p>	<p>No comments</p>	
<p>14. The Company is not a Chit Fund or a nidhi/mutual funds/ society. Therefore, the provision of clause 4(xiii) of the companies (Auditor's Reports) Order, 2003 are not applicable to the Companies.</p>	<p>No comments</p>	
<p>15. The Company is not dealing or trading in shares, securities, debentures and other investments and therefore paragraph 4(xiv) of the Order is not applicable.</p>	<p>No comments</p>	
<p>16. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institution and therefore paragraph 4(xv) of the order is not applicable.</p>	<p>No comments</p>	
<p>17. Based on the audit procedures applied by us and according to the information and explanation given to us, the term loan availed by the company during the year were prima facie, applied for the purpose for which they were taken.</p>	<p>No comments</p>	
<p>18. According to the information and explanation and explanation given to us and an overall examination of the Balance Sheet of the Company, in our opinion, funds raised on short term basis have, prima facie not been used for long term investment and vice versa.</p>	<p>No comments</p>	

<p>19. The Company has not made preferential allotment of shares during the year and therefore paragraph 4 (xviii) of the order is not applicable.</p>	<p>No comments</p>	
<p>20. The company has not raised any debenture during the year and therefore paragraph 4 (xix) of the order is not applicable.</p>	<p>No comments</p>	
<p>21. The company has not raised any money by way of public issue during the year and therefore paragraph 4 (xx) of the order is not applicable.</p>	<p>No comments</p>	
<p>22. In our Opinion and according to the information and explanation given to us by the management, we report that no fraud on or by the company has been noticed or reported during the year.</p>	<p>No comments</p>	