

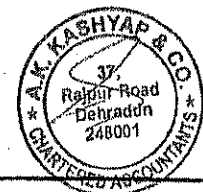
AUDITORS REPORT

To,  
The Members  
UJVN Limited  
Dehradun

We have audited the attached Balance Sheet of UJVN Limited.(Formerly known as Uttarakhand Jal Vidyut Nigam Limited) as at 31.03.2012 and also the profit & loss account for the year ended on that date 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a 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 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 Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred in paragraph-1 above we report that:-
  - a. As referred to Point No.1 of Note No.27 annexed to the balance Sheet, the management has stated that in absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances 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 and notification of Final Transfer scheme. The details and breakup of Assets & Liabilities so transferred were not made available to us and the allocated balances of 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 is not identifiable or verifiable. These opening balances are unaudited and are not in agreement with the balances shown as transferred by UPJVNL in their audited accounts for the year ending 31.03.2002. Substantial difference were observed in the opening Balances taken in the books of accounts as compared with audited balance sheet of UPJVNL as on 31.03.2002. In the absence of such details, and in light of above facts 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. We are also unable to ascertain the correctness or otherwise of the payments made by the Company on account of the liabilities taken over and also the reliability and nature of assets so taken over by the company.

- b. The financial accounts presented before us for audit are:
- i. *Not in conformity with accounting policy No. 2 (1), since the fixed assets are taken at estimated provisional value in place of historical cost as given in the policy.*
  - ii. Records/ Title deeds in respect of Land & Buildings included in Note-11 annexed to the Balance Sheet have not been produced before us for our verification. The ownership rights and the charges or obligations, if any, against the fixed assets have not been provided for our verification. We are unable to comment upon the impact, if any, on the final accounts of the Company.
  - c. *As referred to point No.7 of Note No.27 annexed to the Balance Sheet, though vide Central Government Notification No. SO 1228 (E) dated 2-9-2005 the amount of Loan from Life Insurance Corporation of Rs. 352.59 Crores has been transferred to State of Uttarakhand against Hydro Electric Projects transferred to the state. However The Company has considered only Rs. 43.78 Crores as liability against above loan. The management has made less provision of Rs. 308.81 Crores and interest there upon in the balance sheet.*
    - i. *Further, the management has not provided the other terms & conditions, details of securities provided, if any, the documents executed and balance confirmation in respect of loan from Life Insurance Corporation of India along with overdue principal, and interest payable there on, to verify the correctness of the liability and obligation of the company. The balance sheet & profit & loss account is subject to above adjustment.*
    - ii. *The Company has acknowledged liability of Rs. 43.78 crores towards Loan from LIC against MB-II projects. The interest provision for Rs.41.61 crores has been debited to Profit & Loss A/c till year ending 31-3-2008 instead of capitalizing the same. Hence the cost of project MB-II has been undercapitalized by the same amount and depreciation thereon.*
  - d. *The company has not made any accounting policies regarding amortization of lease hold property, in absence of any such policies the impact on the profit & Loss cannot be ascertained and quantified.*



- e. An amount of Rs. 0.49 crore has been shown under head CWIP-Land & Land rights. Hence the Fixed Assets of the company is understated and CWIP of the company is overstated by the same amount.
- f. *The balances of debtors have not been reconciled and confirmed. Further no provision has been made on debtors not confirmed & ageing more than six months. Hence, we are unable to comment upon the correctness of figures.*
- g. The company is subjected to Wealth Tax however the company has neither filed return under Wealth Tax Act 1957 nor made provision for the liability under the Act. The accounts are subject to the provision under the Act.
- h. The internal control and internal audit system needs further strengthening to commensurate with the size and nature of the business of the company.
- i. *The party wise break-up of various head of in personal accounts, other receivables, loans and advances, current liabilities including accounts of Government Companies / departments have not been provided to us for verification. Further due to non-availability of above details, such balances are not reconciled and confirmed as explained by the management so we could not ascertain the nature of transaction under various heads. Hence impact if any, of such unexplained balances on the financial results and Balance Sheet can not be determined.*
- j. As certified by the management the physical verification of inventory of stocks has been done on 31.03.12 and valuation of stocks has been done at cost as certified by the management in place of cost or Net realizable value which ever is lower in term of AS-2 issued by ICAI however completed stock verification reports were not produced before us for verification.

3. We further reported that:

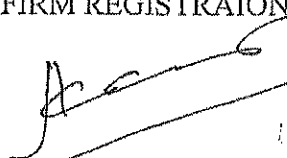
- i. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books except subsidiary records of sundry debtors, loans & Advances, sundry creditors and other Liabilities have been kept by the company.
- iii. The Balance sheet and profit & Loss account dealt with by this report are in agreement with the books of Accounts.
- iv. In our opinion, the balance sheet & profit and loss account dealt with by this report Comply with the accounting standards except AS-15 (Leave

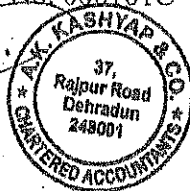


Encashment only), AS-9, AS-2 and AS-24, referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.

- v. Being a government Company pursuant to notification GSR 829 (E) dated 17.07.2003 issued by Government of India; Provisions of Clause (g) of Sub section (1) of Section 274 of Companies Act, 1956 are not applicable to the Company.
- vi. Subject to our observations in Point No.2 in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) In the case of the balance sheet, of the state of affairs of the company as at 31.03.2012.
- (ii) In the case of the profit and loss account, of the profit for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year Ended on that date.

FOR A.K. KASHYAP & CO.,  
CHARTERED ACCOUNTANTS  
FIRM REGISTRAION No. 000101C

  
(ASHOK KASHYAP)  
FCA PARTNER  
M.No. 014416  
DATED: 17.12.2012  
PLACE: DEHRADUN



Annexure referred to in paragraph 1 of our Auditors Report of UJVN Limited for the year ended 31<sup>st</sup> March, 2012.

1. In respect to Fixed Assets:-

- a) As explained to us the Company has maintained records to show full particulars including quantitative details and situation of Fixed assets. Assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets are neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by any approved valuer.
- b) As per the information and explanation given to us, the fixed assets of the company have been physically verified by the management during the financial year 2011-12, which in our opinion is not reasonable having regard to size of the company and nature of its assets.
- c) *In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year. However, SOBLA-I HEP has been flood-washed but same is included in the fixed asset of the company. Suitable adjustment in the books of accounts has not been made. However no depreciation is being charged on such assets.*

2. In respect of inventories:-

- a) The complete records in respect of the physical verification of inventory has not been produced before us for verification. In absence of the complete record we are not in a position to comment whether frequency of verification is reasonable or not. Kindly refer paragraph 2(j) of our main Audit Report.
  - b) We have been informed that physical verification of stock has been conducted by the management during the financial year 2011-12, but in absence of any supporting documents we are not in a position to comment whether procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. Kindly refer paragraph 2(j) of our main Audit report.
  - c) *Records of inventories maintained at the units are incomplete. In absence of complete records we are not in a position to comment whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so whether those material discrepancies have been properly dealt with in the books of account. Kindly refer paragraph 2(j) of our main Audit report.*
3. The Company has not taken 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. On the basis of our observations, we are of the opinion that, generally the Company's Internal Control System is commensurate with the size of the company and the nature of its business however it needs further strengthening.
5. In our opinion and according to the information and explanation given to us, there are no transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year under Audit within the meaning Section 58A & 58AA or any other relevant provisions of the companies Act, 1956. No order has been passed by the Company Law Board or National Company Law Tribunal or reserve Bank of India or any court or any other tribunal in this respect.
7. On the basis of our observation, we are of the opinion that Internal Audit system of the company is generally adequate and commensurate with the size and nature of the business of the company however it needs further strengthening.
8. We have broadly reviewed the books of account maintained by the company relating to power generating activities of the company, pursuant to the Rules made by the Central Government for the maintenance of cost records has been prescribed under Section 209(I) (d) of the Companies Act 1956 and 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 records with a view to determine whether they are true or not.
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, Sales-tax, Custom Duty, Excise Duty, cess and any other Statutory dues applicable to it with the appropriate authorities except Wealth tax. Kindly refer 2(g) of our main Audit report.  
  
(b) According to the information and explanation given to us there are no undisputed Amount payable including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, , Custom Duty, Excise Duty, cess and other Statutory dues as at 31.03.2012, for a period of more than six months from the date they become payable except wealth tax. Kindly refer 2(g) of our main Audit report.



(c) 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 custom duty that have not been paid deposited;

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
Income Tax Act, 1961	Demand for the A.Y 2002-03	The revised assessed tax of Rs 84.43 Lacs as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y 2002-03	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y 2002-03	Demand raised by Department for Rs. 103.85 lacs.	A.Y 2002-03	Matter now decided fully in favour of Company by CIT(A)-I, Dehradun.
Income Tax Act, 1961	Demand for the A.Y 2003-04	The revised assessed tax of Rs 27.95 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by	A.Y 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y 2005-06	Demand raised by Department for Rs. 77.01 lacs.	A.Y 2005-06	Matter decided partly in favour of Company by CIT(A)-I, Dehradun.
Income Tax Act, 1961	Demand for the A.Y 2007-08	The demand for tax raised by income tax department for Rs.41.97 crore.	A.Y 2007-08	Appeal is pending before Appellate Tribunal.
Income Tax Act, 1961	Demand for the A.Y 2008-09	The demand for tax raised by income tax department for Rs.NIL	A.Y 2008-09	Appeal is pending before Appellate Tribunal.
Income Tax Act, 1961	Demand for the A.Y 2009-10	The demand for tax raised by income tax department for Rs.NIL	A.Y 2009-10	Appeal is pending before Appellate Tribunal.

10. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit the immediately preceding financial year.

11. 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 institution



except repayment of loan from LIC of India for Rs. 43,78,04,300 (Accepted by the management as against Rs. 437.80 crore) transferred by the UPJVNL and Interest of Rs. 85,85,06,892/- . As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable. Kindly refer Para 2(c) of our main audit report.

12. According to the information and explanations given to us and based on the documents and records produced, the company has not taken or granted any loans or advances on the basis of security by way of pledge of shares, debentures & other securities.

13. The Company is not a chit fund or a niche/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.

14. As per information & explanations given to us & on the basis of examination of records, the Company is not dealing or trading in shares, securities, debentures & other investment. Further the Company has not made any investment in shares, securities, debentures and other securities.

15. According to the information & explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. As per written representation received from the Management, in our opinion the term loans availed by the company during the year were prima facie, applied for the purposes for which they were obtained.

17. As per written representation received from the Management, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.

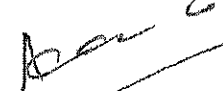
18. The Company has not made any preferential allotment of shares to parties & Companies covered in register maintained under section 301 of the Act.

19. The Company has not issued any debenture during the year.

20. The Company has not raised any money by way of public issue during the year.

21. 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.

FOR A.K. KASHYAP & CO.,  
CHARTERED ACCOUNTANTS  
FIRM REGISTRATION No. 000101C

  
(ASHOK KASHYAP)  
FCA PARTNER  
M.No. 014416  
DATED: 17.12.2012  
PLACE: DEHRADUN





**COMMENTS OF STATUTORY AUDITORS FOR FINANCIAL YEAR 2011-12**

Sl. No	Statutory Auditors Observation	Status/ Action Required
1	As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order	No Comments.
2	Further to our comments in the annexure referred in paragraph -1 above we report that: -	
a.	As referred to Point No 1 of Note No. 27 annexed to the balance sheet, the management has stated that in absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances have been incorporated in books of accounts. <i>The accuracy of these opening balances of Assets &amp; Liabilities could not be verified by us in absence of any agreement between UPJVNL &amp; UJVNL and notification of Final Transfer scheme. The details and breakup of Assets &amp; Liabilities so transferred were not made available to us and the allocated balances of 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 &amp; Liabilities vested in the Company is not identifiable or verifiable. These opening balances are un audited and are not in agreement with the balances shown as transferred by UPJVNL in their audited accounts for the year ending 31.03.2002. Substantial difference were observed in the opening Balances taken in the books of accounts as compared with audited balance sheet of UPJVNL as on 31.03.2002. In the absence of such details, and in light of above facts 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</i>	The issue of Settlement of opening balance of Assets & Liabilities with UP Jal Vidyut Nigam Limited is under process. Nigam has derived its provisional opening balances on the basis of information available with it and as per Central Government Order No. 42/7/2000-R&R dated 5-11-01 to complete its accounts. On Finalisation/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement. However, in accordance to the line of action decided by the management the opening balances have been re-grouped / adjusted in the books of accounts and the requisite disclosure with details thereof has been made in the Para No.1 of Explanatory Statement to accounts (Note No-27) and that forming integral part of the Balance Sheet for the financial year 2011-12.

	<i>and proper disclosure of the balances appearing in the final accounts of the Company. We are also unable to ascertain the correctness or otherwise of the payments made by the Company on account of the liabilities taken over and also the reliability and nature of assets so taken over by the company.</i>	
b	The financial accounts presented before us for audit are:	
i	<i>Not in conformity with accounting policy No. 2 (1), since the fixed assets are taken at estimated provisional value in place of historical cost as given in the policy.</i>	<p>The issue of Settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process. Nigam has derived its provisional opening balances on the basis of information available with it and as per Central Government Order No. 42/7/2000-R&amp;R dated 5-11-01 to complete its accounts.</p> <p>UJVN limited Accounted for the Value of Fixed Assets acquired from UPJVNL on provisional basis.</p> <p>On Finalization/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement.</p> <p>Appropriate disclosure in this regards has been made in the Explanatory Statement to accounts (Note No-27) and that forming integral part of the Balance Sheet for the financial year 2011-12.</p>
ii	Records/ Title deeds in respect of Land & Buildings Note 11 annexed to the Balance Sheet have not produced before us for our verification. The ownership rights and the charges or obligations, if any, against the fixed assets have not been provided for our verification. We are unable to comment upon the impact, if any, on the final accounts of the Company.	<p>Most of the Land had been given on lease by Forest Department of Uttarakhnad to Irrigation department of Uttarakhnad which is now under the use of the Nigam. Steps are being taken to transfer the land in the name of the Nigam. All Buildings constructed &amp; situated at LHP's are part of transfer scheme from UPJVNL for which settlement is under process.</p>
c.	<i>As referred to point no. 7 of Note no. 27 annexed to the Balance Sheet, though vide Central Government Notification No. SO 1228 (E) dated 2-9-2005 the amount of Loan from Life</i>	<p>Un-secured loans ₹. 43.78 crores being 10% of the LIC loan of ₹. 437.80 crores taken by erstwhile UPSEB and transferred to Uttar Pradesh Jal Vidyut Nigam Ltd.</p>

<p>Insurance Corporation of ₹ 352.59 Crores has been transferred to State of Uttarakhand against Hydro Electric Projects transferred to the state. However The Company has considered only ₹. 43.78 Crores as liability against above loan. The management has made less provision of ₹. 308.81 Crores and interest there upon in the balance sheet.</p>	<p>(UPJVNL) by the Govt. of Uttar Pradesh vide its notification dated 25/1/2001. UPJVNL proposed to transfer the said loan to UJVNL which was contested by UJVNL as loan was not project specific. However, to complete the accounts such liability of UJVNL was provisionally taken as 10% as per GOI Order No. 42/7/2000-R&amp;R dated 5-11-2001.</p> <p>Subsequently GOI vide its order NO.S.O.1228 dated 2.9.2005 allocated partly ₹. 352.59 crores of LIC loan to the state of Uttarakhand against Maneri Bhali stage –II hydro electric project located in Uttarakhand.</p> <p>The transfer of above LIC loan of ₹. 352.59 crores to the state of Uttarakhand is being contested hence the same has not being accounted for in the books of accounts.</p> <p>However, an amount of ₹. 308.81 crores (₹. 352.59 crore i.e. loan amount as per Central Govt. order dated 2.9.2005 – ₹. 43.78 crore loan amount acknowledged in the books) has been classified as contingent liability in Para No- 1 of Explanatory Statement to Accounts (Note No.-27) and that forming integral part of the balance sheet for the financial year 2011-12.</p> <p>Interest @11% has been provisionally provided on ₹. 43.78 crores, as stated above, subject to adjustment on finalization of the issue.</p>
<p>(i) Further, the management has not provided the other terms &amp; conditions, details of securities provided, if any, the documents executed and balance confirmation in respect of loan from Life Insurance Corporation of India along with overdue principal, and interest payable there on, to verify the correctness of the liability and obligation of the company. The balance sheet &amp; profit &amp; loss account is subject to above</p>	<p>Un-secured loans ₹. 43.78 crores being 10% of the LIC loan of ₹. 437.80 crores taken by erstwhile UPSEB and transferred to Uttar Pradesh Jal Vidyut Nigam Ltd. (UPJVNL) by the Govt. of Uttar Pradesh vide its notification dated 25/1/2001. UPJVNL proposed to transfer the said loan to UJVNL which was contested by UJVNL as loan was not project specific. However, to</p>

*[Handwritten signature]*

	adjustment.	complete the accounts such liability of UJVNL was provisionally taken as 10% as per GOI Order No. 42/7/2000-R&R dated 5-11-2001. The terms & conditions, details of securities etc against this loan has also not been provided by UPJVNL to UJVNL. Appropriate disclosure in this regard has been made in the Note No.-5 of the Balance Sheet.
(ii)	<i>The Company has acknowledged liability of ₹. 43.78 crores towards Loan from LIC against MB-II projects. The interest provision for ₹. 41.61 crores has been debited to Profit &amp; Loss A/c till year ending 31.3.2008 instead of capitalizing the same. Hence the cost of project MB-II has been undercapitalized by the same amount and depreciation thereon.</i>	As was subsequently evidenced by GOU Notification No.S.O 1228(E) dated 2-9-2005, the LIC loan though now being contested was transferred to the State of Uttarakhand against the Hydro Power Projects transferred to the State of Uttarakhand by the State of Uttar Pradesh. Further as per available evidence on record namely AGUP communication dated 07-06-2002, the amount was not utilized for MB-II project.  Since Matter is under dispute so interest on such LIC loan provide in the Books of Accounts was not capitalised and has been charged to Profit and Loss Accounts.
d	The company has not made any accounting policies regarding amortization of lease hold property, in absence of any such policy the impact on the profit & loss cannot be ascertained and quantified.	Nigam has undertaken extensive exercise to collect Land records which also includes records relating to Lease Hold Land. On availability of these records, amortization of lease hold property will be accounted for in the books.
e	An amount of ₹.0.49 crores has been shown under head CWIP – Land & Land rights. Hence, the Fixed Assets of the company is understated and CWIP of the company is overstated by the same amount.	The amount of ₹. 0.49 Crores represent the consideration paid for acquisition of land for Pala Maneri Project and Small Hydro Projects for which process of transferring the title of Land in favour of UJVNL is in process.
f	The balances of debtors have not been reconciled and confirmed. Further no provision has been made on debtors	Sundry Debtors of the Company as on 31-03-2012 are mainly recoverable from UPCL a Govt. of Uttarakhand

	not confirmed & ageing more than six months. Hence, we are unable to comment upon the correctness of figures.	(GoU) owned Company except the balances provisionally acquired from UPJVN Ltd to the tune of ₹. 55.57 Crores. Since the amount is due from a Govt. Company they are not considered to be bad and doubtful. Also all efforts are being made by UJVN Ltd. as well as by GoU for recovery of the amount.
		The details of the provisional opening balance adopted as on 9-11-2001 have not been made available by UPJVNL in spite of repeated follow-up and persuasion. In absence of such details, the opening balances of sundry debtors is being considered good since no details to the contrary are available.
		As and when the details are made available by UPJVNL or on finalization of transfer scheme necessary adjustments emanating there from would be made in subsequent years
g	The company is subjected to Wealth Tax however the company has neither filed return under Wealth Tax Act 1957 nor made provision for the liability under the Act. The accounts are subject to the provision under the Act.	The applicability of Wealth Tax is being examined.
h	The internal control and internal audit system needs further strengthening to commensurate with the size and nature of the business of the company;	Noted for future compliance.
i	<i>The party-wise break-up of various head of personal accounts, other receivables, loans and advances, current liabilities including accounts of Government Companies/ departments have not been provided to us for verification.. Further due to non-availability of above details, such balances are not reconciled and confirmed as explained by the management so we could not ascertain the nature of transaction under various heads. Hence impact if any, of such unexplained balances on the financial results and Balance Sheet can not be determined.</i>	Steps have been initiated to prepare detailed party wise breakup of personal accounts, other receivables, loans and advances, current liabilities.
j	As certified by the management the physical verification of inventory of stocks has been done on 31.03.12 and valuation	There were established procedures in erstwhile UPSEB/UPJVNL for maintaining stocks at sub

	<i>of stocks has been done at cost as certified by the management in place of cost or Net realizable value which ever is lower in term of AS-2 issued by ICAI. However complete stock verification reports were not produced before us for verification.</i>	division/division level and the same procedures are being following in the Nigam during the FY 2011-12. Available reports of physical verification report of inventory of various divisions were available at site and produced for verification at the time of audit. Steps have been initiated to identify obsolete/ damaged stocks and valuation of the same as per applicable accounting standards
3	We further reported that	
(i)	We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.	No Comments.
(ii)	In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books except subsidiary records of sundry debtors, loans & Advances, sundry creditors and other liabilities has been kept by the company.	Noted for compliance in subsequent year.
iii	The Balance sheet and profit & Loss account dealt with by this report are in agreement with the books of Account	No Comments.
iv	In our opinion, the balance sheet & profit and loss account dealt with by this report Comply with the accounting standards except AS-15 (leave encashment only), AS-9, AS-2 and AS-24 referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.	Noted for compliance in subsequent year.
4. v	Being a government Company pursuant to notification GSR 829 (E) dated 17.07.2003 issued by Government of India, Provisions of Clause (g) of Sub section (1) of Section 274 of Companies Act, 1956 are not applicable to the Company.	No Comments
vi	Subject to our observations in Point No.2 in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted	No Comments


	<p>in India.</p> <ul style="list-style-type: none"> <li>i. In the case of the balance sheet, of the state of affairs of the company as at 31.03.2012.</li> <li>ii. In the case of the profit and loss account, of the profit for the year ended on that date; and</li> <li>iii. In the case of the Cash Flow Statement, of the cash flows for the year Ended on that date</li> </ul>	
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**Annexure referred to in paragraph 1 of the Auditor's Report of Uttarakhand Jal Vidyut Nigam Limited for the Financial Year ended 31" March, 2012.**

Sl. No	Statutory Auditors Observation	Status/ Action Required
1.	<p>In respect to Fixed Assets:-</p> <p>a) As explained to us the Company has maintained records to show full particulars including quantitative details and situation of Fixed assets. Assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets are neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by any approved valuer.</p>	<p>The issue of Settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process. Nigam has derived its provisional opening balances on the basis of information available with it and as per Central Government Order No. 42/7/2000-R&amp;R dated 5-11-01 to complete its accounts.</p> <p>UJVNL limited Accounted for the Value of Fixed Assets acquired from UPJVNL on provisional basis.</p> <p>On Finalization/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement.</p> <p>Appropriate disclosure in this regards has been made in the Notes on Accounts</p>
	<p>b) As per the information and explanation given to us, the fixed assets of the company have been physically verified by the management during the financial year 2011-12, which in our opinion is not reasonable having regard to size of the company and nature of its assets.</p>	<p>Noted for compliance in subsequent years.</p>
	<p>c) In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year. However, SOBLA-I HEP has been flood-washed but same is included in the fixed asset of the company. Suitable</p>	<p>Sobla-I project was partly damaged before the creation of UJVNL and not in operation since prior to 9-11-2001. The Loss due to such damage would have been reflected in the Books of ears-while UPJVNL. The balance amount of ₹. 7,62,74,653/- is the opening</p>



	adjustment in the books of accounts has not been made. However no depreciation is being charged on such assets.	balance as on 9-11-2001 and continues to be carried forward. Since the amount pertains to opening balance the same can be settled and booked accordingly on the finalization of the transfer Scheme. However no depreciation has been charged on the said amount.
2.	In respect of inventories:- a) The complete records in respect of the physical verification of inventory has not been produced before us for verification. In absence of the complete record we are not in a position to comment whether frequency of verification is reasonable or not. Kindly refer paragraph 2(j) of our main Audit Report. b) We have been informed that physical verification of stock has been conducted by the management during the financial year 2011-12, but in absence of any supporting documents we are not in a position to comment whether procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. Kindly refer paragraph 2 (j) of our main Audit report. c) Records of inventories maintained at the units are incomplete. In absence of complete records we are not in a position to comment whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so whether those material discrepancies have been properly dealt with in the books of account. Kindly refer paragraph 2 (J) of main Audit report.	There were established procedures in erstwhile UPSEB/UPJVNL for maintaining stocks at sub division/division level and the same are being followed remained in force in Nigam during the FY 2011-12. Available reports of physical verification report of inventory of various divisions were available at site and produced for verification at the time of audit. Steps have been initiated to identify obsolete/ damaged stocks and valuation of the same as per applicable accounting standards. Available reports of physical verification report of inventory of various divisions were available at site and produced for verification at the time of audit. Steps have been initiated to identify obsolete/ damaged stocks and valuation of the same as per applicable accounting standards. Available reports of physical verification report of inventory of various divisions were available at site and produced for verification at the time of audit. Steps have been initiated to identify obsolete/ damaged stocks and valuation of the same as per applicable accounting standards
3.	The Company has not taken granted any loan, secured or	No Comments.

	<p>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.</p>		
4.	<p>On the basis of our observations, we are of the opinion that, the Company Internal Control Systems is generally commensurate with the size of the company and the nature of its business, however it needs further strengthening.</p>	<p>Noted for compliance in future.</p>	
5.	<p>In our opinion and according to the information and explanation given to us, there are no transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956.</p>	<p>No Comments</p>	
6.	<p>The Company has not accepted any deposits from the public during the year under Audit with in the meaning Section 58A &amp; 58AA or any other relevant provisions of the companies Act, 1956. No order has been passed by the Company Law Board or National Company Law Tribunal or reserve Bank of India or any court or any other tribunal in this respect.</p>	<p>No Comments</p>	
7.	<p>On the basis of our observation, we are of the opinion that Internal Audit system of the company is generally adequate and commensurate with the size and nature of the business of the company, however it needs further strengthening.</p>	<p>Noted for compliance in subsequent years.</p>	
8.	<p>We have broadly reviewed the books of account maintained by the company relating to power generating activities of the company, pursuant to the Rules made by the Central Government for the maintenance of cost records has been prescribed under Section 209(I) (d) of the Companies Act 1956</p>	<p>No Comments</p>	



	<p>and 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 records with a view to determine whether they are true or not.</p>		
9.	<p>(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, Sales-tax, Custom Duty, Excise Duty, cess and any other Statutory dues applicable to it with the appropriate authorities except wealth tax. Kindly refer 2 (g) of our main audit report.</p>	No Comments	
	<p>(b) According to the information and explanation given to us there are no undisputed Amount payable including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, , Custom Duty, Excise Duty, cess and other Statutory dues as at 31.03.2012, for a period of more than six months from the date they become payable except wealth tax. Kindly refer 2 (g) of our main audit report.</p>	No Comments	
	<p>(c) 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 custom duty that have not been paid deposited.</p>	No Comments	

Name of the Statute	Nature of dues	Amount of demand net deposits (Rs in Lacs)	Period of which relates	Forum where dispute is pending
Income Act, 1961	Demand for the A.Y. 2002-03	The revised assessed tax of ₹. 84.43 Lacs as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A).	A.Y. 2002-03	Appeal is pending before Appellate Tribunal, New Delhi
Income Act, 1961	Demand for the A.Y. 2002-03	Demand raised by Department for ₹. 103.85 lacs	A.Y. 2000-03	Matter decided fully in favour of Company by CIT (A)-I, Dehradun
Income Act, 1961	Demand for the A.Y. 2003-04	The revised assessed tax of ₹. 27.95 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y. 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.
Income Act, 1961	Demand for the A.Y. 2005-06	Demand raised by Department for ₹. 77.01 lacs	A.Y. 2005-06	Matter decided Partly in favour off Company by CIT (A)-I, Dehradun
Income Act, 1961	Demand for the A.Y. 2007-08	The demand for tax raised by income tax department for ₹. 41.97 crore.	A.Y. 2007-08	Appeal is pending before Appellate Tribunal.
Income Act, 1961	Demand for the A.Y. 2008-09	The demand for tax raised by income tax department for ₹. NIL	A.Y. 2008-09	Appeal is pending before Appellate Tribunal.

	Income Act, 1961	Demand for the A.Y 2009-10 raised by income tax department for ₹.NIL	A.Y. 2009-10	Appeal is pending before Appellate Tribunal.
10	In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit the immediately preceding financial year.			
11	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 institution except repayment of loan from LIC of India for ₹. 43,78,04,300 (Accepted by the management as against ₹. 437.80 crore) transferred by the UPJNL and interest of ₹. 85,85,06,892/-). As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable. Kindly refer Para 2(c) of our main audit report			
12	According to the information and explanations given to us and based on the documents and records produced, the company has not taken or granted any loans or advances on the basis of security by way of pledge of shares, debentures & other securities			
13	The Company is not a chit fund or a niche/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.			
14	As per information & explanations given to us & on the basis of examination of records, the Company is not dealing or trading in shares, securities, debentures & other investment. Further the			

No Comments

No Comments

No Comments

No Comments

No Comments

	Company has not made any investment in shares, securities, debentures and other securities	
15	According to the information & explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions	No Comments
16	As per written representation received from the Management, in our opinion the term loans availed by the company during the year were prima facie, applied for the purposes for which they were obtained.	No Comments
17	As per written representation received from the Management, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.	No Comments
18	The Company has not made any preferential allotment of shares to parties & Companies covered in register maintained under section 301 of the Act	No Comments
19	The Company has not issued any debenture during the year.	No Comments
20	The Company has not raised any money by way of public issue during the year.	No Comments
21	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.	No Comments

*[Handwritten signature]*