

AUDITORS REPORT

To,
The Members,
UJVNL Limited
Dehradun.

We have audited the accompanying financial statements of UJVN Limited, which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss & Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the 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, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the 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 on 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 reliability and nature of assets and liabilities so taken over by the company.

- b. 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. The management has not provided the 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 & Cash Flow Statement is subject to above adjustment. (Also refer point no. 11 of annexure to this report)
 - d. The balances of debtors have not been reconciled and confirmed. Hence, we are unable to comment upon the correctness of figures.
3. As certified by the management the physical verification of inventory of stocks has been done on 31.03.13. Valuation of stocks has been done at cost as certified by the management instead of cost or Net realizable value which ever is lower in term of AS-2 issued by ICAI.
4. As required by Section 227(3) of the Act, 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 purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet and Statement of Profit and Loss & Cash Flow Statement with by this Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and Statement of Profit and Loss & Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.

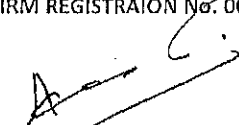


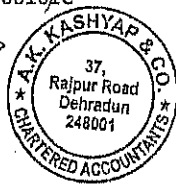
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CHARTERED ACCOUNTANTS

37, Rajpur Road
Dehra Dun - 248001

On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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


(ASHOK KASHYAP)
FCA PARTNER
M.No. 014416



DATED: 24.10.2013
PLACE: DEHRADUN

Annexure referred to in paragraph 1 of our Auditors Report of UJVN Limited for the year ended 31st March, 2013.

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 is 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 2013-13, 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 in 200-01 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) As mentioned in the paragraph 2(e) of our main Audit Report, the inventory of the Company has been physically verified by the management on 31.03.13. In our opinion and seeing the nature of the company's business, the frequency of verification is reasonable.
- b) We have been informed that physical verification of stock has been conducted by the management during the financial year 2012-13, but in absence of proper inventory records 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(f) 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(f) of our main Audit report.



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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. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for sales. Further, on the basis of our examination we have not observed any continuing failure to correct major weakness in internal control system.
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. According to information & explanation given to us, the Company has not accepted deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and rules framed there under. Therefore the provisions of clause (vi) of paragraph 4 of the order are not applicable to the company.
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.
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 i.e. the company has neither filed return under Wealth Tax Act 1957 nor made provision for the liability under the Act.



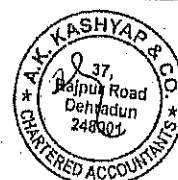
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(b) According to the information and explanation given to us there are no undisputed Amount payable including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Custom Duty, Excise Duty, Cess and other Statutory dues as at 31.03.2013, for a period of more than six months from the date they become payable except wealth tax.

(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 inLacs)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Demand for the A.Y. 2002-03	Notice of demand of tax u/s 156 of Rs 0.84 crore	A.Y. 2002-03	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y. 2002-03	Notice of demand of tax u/s 156 of Rs. 1.04 crore	A.Y. 2002-03	Matter now decided fully in favour of Company by CIT(A)-I, Dehradun pending for rectification.
Income Tax Act, 1961	Demand for the A.Y. 2003-04	Income tax demand of Rs 27.95 crore	A.Y. 2003-04	The said demand has already been paid however the company has contested the same and Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y. 2004-05	Notice of demand of tax u/s 221(1) of Rs. 0.64 crore	A.Y. 2004-05	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y. 2005-06	Notice of demand of tax u/s 156 of Rs. 0.77 crore	A.Y. 2005-06	Matter decided partly in favour of Company by CIT(A)-I, Dehradun. Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y. 2007-08	Notice of demand of tax u/s 156 of Rs. 19.64 crore.	A.Y. 2007-08	Appeal is pending before Appellate Tribunal, New Delhi.



10. The company has neither accumulated losses as at March 31, 2013 nor has it incurred any cash loss in the financial year ended on that date or in the immediately preceding previous 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. 1,001,101,123/-. 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.



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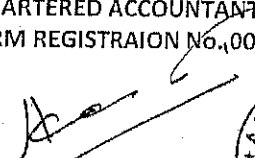
18. The Company has not made any preferential allotment of shares to parties & Companies covered in register maintained under section 301 of the Act.

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: 24.10.2013
PLACE: DEHRADUN

**COMMENTS OF STATUTORY AUDITORS AND MANAGEMENT REPLIES THERETO FOR
FINANACIAL YEAR 2012-13**

Audit Report Para No	Statutory Auditors Observation	Management Reply
2(a)	<p>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 on 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</p>	<p>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 2012-13.</p>

	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 reliability and nature of assets and liabilities so taken over by the company.	
2(b)	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.	Most of the Land had been given on lease by Forest Department of Uttarakhand to Irrigation department of Uttarakhand 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 & situated at LHP's are part of transfer scheme from UPJVNL for which settlement is under process.
2(c)	The management has not provided the 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 & Cash Flow Statement is subject to above adjustment. (Also refer point no. 11 of annexure to this report).	Un-secured loans Rs. 43.78 crores being 10% of the LIC loan of Rs. 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 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.
2(d)	The balances of debtors have not been reconciled and confirmed. Hence, we are unable to comment upon the correctness of figures.	Sundry Debtors of the Company as on 31-03-2013 are mainly recoverable from UPCL a Govt. of Uttarakhand (GoU) owned Company except the balances provisionally acquired from UPJVNL Ltd to the tune of Rs.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 UJVNL Ltd. as well as by GoU for recovery of the amount. The details of the provisional opening balance adopted as on 9-11-

		<p>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.</p> <p>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.</p>
3.	<p>As certified by the management the physical verification of inventory of stocks has been done on 31.03.13. Valuation of stocks has been done at cost as certified by the management instead of cost or Net realizable value which ever is lower in term of AS-2 issued by ICAI.</p>	<p>There were established procedures in erstwhile UPSEB/UPJVNL for maintaining stocks at sub division/division level and the same procedures are being following in the Nigam during the FY 2012-13.</p> <p>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.</p>

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDITORS REPORT OF UJVN LIMITED FOR THE YEAR ENDED 31" MARCH, 2013.

Audit Report Para No	Statutory Auditors Observation	Management Reply
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 is neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by any approved valuer.	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. UJVN limited Accounted for the Value of Fixed Assets acquired from UPJVNL on provisional basis. On Finalization/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement. Appropriate disclosure in this regards has been made in the Notes on Accounts.
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 2012-13, which in our opinion is not reasonable having regard to size of the company and nature of its assets.	Noted for compliance in subsequent years.
c)	In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year. However, SOBLa-1 HEP has been flood-washed in 2000-01 but same is included in the fixed asset of the company. Suitable adjustment in the books of	Sobla-1 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 erstwhile UPJVNL. The balance amount of Rs. 7,62,74,653/- is the opening balance as on 9-11-2001 and continues to be carried forward. Since

	accounts has not been made. However no depreciation is being charged on such assets.	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)	As mentioned in the paragraph 2(e) of our main Audit Report, the inventory of the Company has been physically verified by the management on 31.03.13. In our opinion and seeing the nature of the company's business, the frequency of verification is reasonable.	There were established procedures in erstwhile UPSEB/UPJVNL for maintaining stocks at sub division/division level and the same are being followed by the Nigam during the FY 2012-13. 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.
b)	We have been informed that physical verification of stock has been conducted by the management during the financial year 2012-13, but in absence of proper inventory records 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(f) of our main Audit report.	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.
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(f) of our main Audit report.	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.

9(a)	<p>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 i.e. the company has neither filed return under Wealth Tax Act 1957 nor made provision for the liability under the Act.</p>	<p>Applicability of Wealth Tax is being examined.</p>
9(b)	<p>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 31.03.2013, for a period of more than six months from the date they become payable except wealth tax.</p>	<p>Applicability of Wealth Tax is being examined.</p>