



Independent Auditor's Report

To,
The Members,
UJVN Limited
Dehradun

Report on the Financial Statements

We have audited the accompanying financial statements of **UJVN Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements' Responsibility on 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 notified under the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. 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

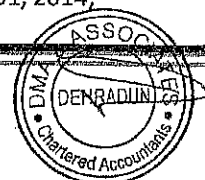
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform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

Qualified 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, **except for the matters reported in Annexure-1 to this report:**

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;





- b) in the case of the Profit and Loss Account, of the loss 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 & 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-2, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. 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 purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For DMA & Associates
Chartered Accountants
FRN: 010129C



CA. Deepak Kumar Ghanshani
(Partner)
Membership No. : 078742

Place: Dehradun
Date: 04-08-2014



Annexure-1 referred to in opinion paragraph of Our Report of even date to the members of UJVN Limited on the accounts of the company for the year ended 31st March, 2014.

We further report as follows:

1. *Opening balances of assets and liabilities were incorporated in the financial statements of the Company on the basis of allocations in the year 2001-02. Consequently the opening balances of the specific Assets & Liabilities vested in the Company is not identifiable or verifiable.*

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 is not ascertainable in absence of any agreement between UPJVNL & UJVNL on Final Transfer scheme.

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.

These 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.

SOBLA-I 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 accounts has not been made. However no depreciation is being charged on such assets.

2. *Records / Title deeds in respect of Land & Buildings included in Note-10 annexed to the Balance Sheet are not available for 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.

3. *No details are available in respect of terms & conditions, securities provided, if any, the documents executed and balance confirmation towards 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.*

4. *The company has neither filed return under Wealth Tax Act 1957 nor made provision for the liability under the Act.*





5. *There is a long list of disputed dues under Income Tax that have not been paid / deposited, as informed by management, these liabilities were initiated by the department and challenged by the Company against which proceedings are pending at various appellate levels.*
6. *One of the major debtors of the Company, i.e. UPCL, is irregular in making the payments. Ageing analysis of amount due from UPCL is not available to comment upon the recoverability of the same.*
7. *Miscellaneous expenditure of Rs. 59,80,657.00 incurred on Survey / DPR includes expenditure incurred on discarded / discontinued projects which are not identified by the Company and accordingly not charged off to revenue.*
8. *Share application money of Rs. 2,02,21,37,570.00 is pending for allotment for more than 60 days.*

For DMA & Associates
Chartered Accountants
FRN: 010129C

CA. Deepak Kumar Ghanshani
Partner
M. No. : 078742



Place: Dehradun
Date: 04-08-2014



Annexure-2 referred to in paragraph 1 of Our Report of even date to the members of UJVN Limited on the accounts of the company for the year ended 31st March, 2014.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. In respect to Fixed Assets:

As explained to us the Company has maintained records to show full particulars including quantitative details and situation of fixed assets at each accounting unit. 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.

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 2013-14, which in our opinion is reasonable having regard to size of the company and nature of its assets.

In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year. However, during the Year Nigam provided for Loss of Assets on account of damages due to Natural Calamity and the same is more fully disclosed under point no. 11 of Note 26 "Explanatory Statement". Further, SOBLA-I 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 accounts has not been made. However no depreciation is being charged on such assets.

2. Valuation of stocks has been done at cost as certified by the management instead of cost or Net realizable value whichever is lower in term of AS-2 issued by ICAI.

Records of inventories maintained at the units are incomplete. In absence of complete records it is not ascertainable that 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 the in the books of account.

3. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.

According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) & (g) are not applicable to the company.





4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
As per information & explanations given to us and in our opinion, the transaction entered into by the company with parties covered u/s 301 of the Act does not exceeds five lacs rupees in a financial year therefore requirement of reasonableness of transactions does not arises.
6. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
7. *As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business. Internal audits are conducted in the Company, but, internal audit reports were available for quarter 1 & quarter 2 only at the time of our audit.*
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(l) (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. 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.**

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 31.03.2014, for a period of more than six months from the date they become payable except wealth tax.





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)	AY 2002-03	Appeal is pending before Appellate Tribunal, New Delhi.
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 CIT (A).	AY 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y 2004-05	The revised assessed tax of Rs 25.72 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order Issued by CIT (A).	AY 2003-04	Appeal is pending Commissioner (Appeal).
Income Tax Act, 1961	Demand for the A.Y 2005-06	Demand raised by Department for Rs. 77.01 lacs.	AY 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	The demand for tax raised by income tax department for Rs.41.44 crore.	AY 2007-08	Appellate Tribunal, New Delhi. Direct Assessing Officer to reassess the case.
Income Tax Act, 1961	Demand for the A.Y 2008-09	The demand for tax raised by Income tax department for Rs.1.67 crores.	AY 2008-09	Appellate Tribunal, New Delhi. Direct Assessing Officer to reassess the case.
Income Tax Act, 1961	Demand for the A.Y 2009-10	The demand for tax raised by Income tax department for Rs.2.16 crores.	AY 2009-10	Appellate Tribunal, New Delhi. Direct Assessing Officer to reassess the case.
Income Tax Act, 1961	Demand for the A.Y 2010-11	The demand for tax raised by Income tax department for Rs.2.43 crores.	AY 2010-11	Matter pending with Assessing Officer
Income Tax Act, 1961	Demand for the A.Y 2011-12	The demand for tax raised by Income tax department for Rs.2.85 crores.	AY 2010-11	Matter pending with Commissioner (Appeal)

10. The company has neither accumulated losses as at March 31, 2014 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 UPIVNL and Interest of Rs. 115,93,80,720 /-. As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable.

Additionally, loans from Government are not substantiated by the third party confirmation, listed as follows with outstanding balances:

- NABARD through Government of Uttarakhand financed projects - Rs. 1,05,38,52,000.00
- Government of Uttarakhand funded projects - Rs. 63,21,95,896.00
- ADB through Government of Uttarakhand funded projects - Rs. 1,28,85,00,000.00
- APDP funded projects - Rs. 2,21,33,100.00

12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a chit fund or a niche/mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

14. According to information and explanations given to us, the Company is not trading in Shares, Mutual funds & other Investments. The company is therefore not required to maintain records in this regard.

15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.

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. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2014, we report that no funds raised on short-term basis have been used for long-term investment by the Company.

18. Based on the audit procedures performed and the Information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.

19. The Company has no outstanding debentures during the period under audit.

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





21. Based on the audit procedures performed and the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management. However, we have received a complaint letter dated 15th July 2014 from an employee of the company and a report dated 24th July 2014 by Director HR of the company both implying that some irregularities have occurred in financial transactions and appointments in the company. We have also been given to understand that the company is in the process of investigating these matters so as to establish whether or not a fraud has been committed on the Company.

For DMA & Associates
Chartered Accountants
FRN: 010129C



CA. Deepak Kumar Ghanshani
Partner
M. No.: 078742

Place: Dehradun
Date: 04-08-2014

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COMMENTS OF STATUTORY AUDITORS AND MANAGEMENT REPLIES THERETO FOR FINANCIAL YEAR 2013-14

Sl. No	Statutory Auditors Observation	Management Reply
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-2, a statement on the matters specified in paragraphs 4 and 5 of the Order.	No Comments.
2	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 purpose of our audit;	No Comments.
b)	In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books	No Comments.
c)	The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.	No Comments.
d)	In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;	No Comments.
e)	On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.	No Comments.

Annexure-1 referred to in opinion paragraph of Our Report of even date to the members of UJVNL Limited on the accounts of the company for the year ended 31st March, 2014.

Sl. No	Statutory Auditors Observation	Management Reply
1	<p>Opening balances of assets and liabilities were incorporated in the financial statements of the Company on the basis of allocations in the year 2001-02. Consequently the opening balances of the specific Assets & Liabilities vested in the Company is not identifiable or verifiable.</p> <p>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.</p> <p>The accuracy of these opening balances of Assets & Liabilities is not ascertainable in absence of any agreement between UPJVNL & UJVNL on Final Transfer scheme.</p> <p>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.</p> <p>These 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.</p> <p>SOBLA-I 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 accounts has not been made. However no depreciation is being charged on such assets.</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.</p> <p>The detailed disclosure of which has been made in point No.1 on Explanatory Statement (Note No.26) annexed to and forming part of the Balance sheet for the financial year 2013-14.</p> <p>Nigam is continuously taking up the matter with UPJVNL for finalization of the same. Consultant has been appointed by UJVNL Ltd. to finalize the transfer scheme and in turn the same consultant has also been appointed by UPJVNL. Comments on the Draft Report received from Consultants have been firm up and forwarded to the consultants for obtaining comments from UPJVNL.</p>

2	<p>Records / Title deeds in respect of Land & Buildings included in Note-10 annexed to the Balance Sheet are not available for verification.</p> <p>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>	<p>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.</p>
3	<p>No details are available in respect of terms & conditions, securities provided, if any, the documents executed and balance confirmation towards 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.</p>	<p>Un-secured Loans include ₹ 43.78 crores being 10% of the LIC loan of ₹. 437.80 crores taken by erstwhile UPSEB and transferred to Uttar Pradesh Jal Viduyt Nigam Ltd.(UPJVNL) by the Govt. of Uttar Pradesh vide its notification dated 25/1/2001 and the same has been considered provisionally in accordance to the GOI order dated 5.11.2001. Subsequently, Central Government vide its order No. SO 1228 dated 2.09.2005 has allocated the part liability of LIC Loan of ₹. 352.59 Cr taken for MB-II HEP by the erstwhile UPSEB to Govt. of Uttarakhand (GOU).</p> <p>Since such allocation of the above referred loan is to the State of Uttarakhand and not to UJVNL, provisional loan of ₹. 43.78 crores and interest thereon have only been provided for in the Books of account on account of prudence.</p> <p>Life Insurance Corporation has been communicated vide letter No. 7714/UJVNL/LIC loan dated 12-12-2013 & letter No. 5797/UJVNL/MD/LIC loan dated 13-06-2014 and Govt. of Uttarakhand has been communicated vide Letter No.4624/UJVNL/PN/SHASHAN-6/LIC LOAN dated 5-5-2014 that LIC loan liability does not pertain to the Nigam.</p>
4	<p>The company has neither filed return under Wealth Tax Act 1957 nor made provision for the liability under the Act.</p>	<p>Appropriate disclosure in this regard has been made in Point No-7 of Note -26 of the Balance Sheet.</p> <p>Nigam is in the process of examining the applicability of wealth tax on its assets.</p>

5	There is a long list of disputed dues under Income Tax that have not been paid / deposited, as informed by management, these liabilities were initiated by the department and challenged by the Company against which proceedings are pending at various appellate levels.	No comments
6	One of the major debtors of the Company, i.e. UPCL, is irregular in making the payments. Ageing analysis of amount due from UPCL is not available to comment upon the recoverability of the same.	UPCL is a Govt. of Uttarkhand (Govt) owned Company. Since the amount is due from Govt. of Uttarkhand owned company hence amount recoverable cannot be considered as Bad and Doubtful. Also efforts are being made by UJVN Limited in consultation with Govt. of Uttarkhand for recoveries of the amount.
7	Miscellaneous expenditure of ₹ 59,80,657.00 incurred on Survey / DPR includes expenditure incurred on discarded / discontinued projects which are not identified by the Company and accordingly not charged off to revenue.	The process of identifying project wise bifurcation of the amount is in progress and miscellaneous expenditure pertaining to discarded / discontinued projects shall be charged off to revenue accordingly.
8	Share application money of ₹ 2,02,21,37,570.00 is pending for allotment for more than 60 days.	Noted for compliance.

Annexure-2 referred to in paragraph 1 of Our Report of even date to the members of UJVN Limited on the accounts of the company for the year ended 31st March, 2014.

Sl. No	Statutory Auditors Observation	Management Reply
1	<p>On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:</p> <p>1. In respect to Fixed Assets: As explained to us the Company has maintained records to show full particulars including quantitative details and situation of fixed assets at each accounting unit. 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.</p>	<p>The issue of Settlement of opening balance of Assets & Liabilities with UP Jal Vidhut 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.</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.</p> <p>No comments.</p>

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 2013-14, which in our opinion is reasonable having regard to size of the company and nature of its assets.

<p>In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year. However, during the Year Nigam provided for Loss of Assets on account of damages due to Natural Calamity and the same is more fully disclosed under point no. 11 of Note 26 "Explanatory Statement". Further, SOBIA-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 accounts has not been made. However no depreciation is being charged on such assets.</p>	<p>Sobia-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 accounts while UPJVNL. The balance amount of ₹ 7,62,74,653/- is the opening balance as on 9-11-2001 and continues to be carried forward. Since the amount pertains to opening balance hence the same can be settled and booked accordingly on the finalization of the transfer Scheme.</p>
<p>2</p> <p>Valuation of stocks has been done at cost as certified by the management instead of cost or Net realizable value whichever is lower in term of AS-2 issued by ICAI.</p> <p>Records of inventories maintained at the units are incomplete. In absence of complete records it is not ascertainable that 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.</p>	<p>There were established procedures in erstwhile UPSEB/UPJNL for maintaining stocks at sub division/division level and the same are being followed and remained in force in Nigam during the FY 2013-14.</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>
<p>3</p> <p>According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.</p> <p>According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) & (g) are not applicable to the company.</p>	<p>No Comments.</p>

4	<p>In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.</p>	<p>No Comments.</p>
5	<p>Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.</p> <p>As per information & explanations given to us and in our opinion, the transaction entered into by the company with parties covered u/s 301 of the Act does not exceeds five lacs rupees in a financial year therefore requirement of reasonableness of transactions does not arises.</p>	<p>No Comments</p>
6	<p>The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.</p>	<p>No Comments</p>
7	<p><i>As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business. Internal audits are conducted in the Company, but, internal audit reports were available for quarter 1 & quarter 2 only at the time of our audit.</i></p>	<p>Internal audit is a continuous process and audit reports received till the date of statutory audit have been duly submitted to the auditors for their verification.</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(l) (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.</p>	<p>No Comments.</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.

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 31.03.2014, for a period of more than six months from the date they become payable except wealth tax.

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 ₹ 84.43 lacs as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	AY 2002-03	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax 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).	AY 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.

No Comments. Further, as explained earlier Nigam is in the process of obtaining legal opinion on the applicability of wealth tax on its assets.

	Income Tax Act, 1961	Demand for the A.Y 2004-05	The revised assessed tax of ₹ 25.72 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A).	AY 2003-04	Appeal is pending Commissioner (Appeal).	
	Income Tax Act, 1961	Demand for the A.Y 2005-06	Demand raised by Department for ₹. 77.01 lacs.	AY 2005-06	Matter decided partly in favour of Company by CIT(A)-1, Dehradun. Appeal is pending before Appellate Tribunal, New Delhi.	
	Income Tax Act, 1961	Demand for the A.Y 2007-08	The demand for tax raised by income tax department for ₹41.44 crore.	AY 2007-08	Assessing Officer to reassess the case.	
	Income Tax Act, 1961	Demand for the A.Y 2008-09	The demand for tax raised by income tax department for ₹1.67 crores.	AY 2008-09	Appellate Tribunal, New Delhi. Direct Assessing Officer to reassess the case.	
	Income Tax Act, 1961	Demand for the A.Y 2009-10	The demand for tax raised by income tax department for ₹2.16 crores.	AY 2009-10	Appellate Tribunal, New Delhi. Direct Assessing Officer to reassess the case.	
	Income Tax Act, 1961	Demand for the A.Y 2010-11	The demand for tax raised by income tax department for ₹2.43 crores.	AY 2010-11	Matter pending with Assessing Officer	
	Income Tax Act, 1961	Demand for the A.Y 2011-12	The demand for tax raised by income tax department for ₹2.85 crores.	AY 2010-11	Matter pending with Commissioner (Appeal)	
10	The company has neither accumulated losses as at March 31, 2014 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 ₹. 43,78,04,300 (Accepted by the management as against ₹. 437.80 crore) transferred by the UPJNL and Interest of ₹. 115,93,80,720 /-. As explained					

No Comments.

No Comments.

	<p>To us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable.</p> <p>Additionally, loans from Government are not substantiated by the third party confirmation, listed as follows with outstanding balances:</p> <ul style="list-style-type: none"> • NABARD through Government of Uttarakhand financed projects – ₹ 1,05,38,52,000.00 • Government of Uttarakhand funded projects – ₹ • ADB through Government of Uttarakhand funded projects – ₹ 1,28,85,00,000.00 • APDP funded projects – ₹ 2,21,33,100.00 	<p>Govt. of Uttarakhand (GOU) has been regularly intimated of the balance outstanding on different loans from time to time.</p>
12	<p>According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p>	No Comments.
13	<p>The Company is not a chit fund or a niche/mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.</p>	No Comments.
14	<p>According to information and explanations given to us, the Company is not trading in Shares, Mutual funds & other Investments. The company is therefore not required to maintain records in this regard.</p>	No Comments.
15	<p>According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.</p>	No Comments.
16	<p>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</p>	No Comments.
17	<p>Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2014, we report that no funds raised on short-term basis have been used for long-term investment by the Company.</p>	No Comments.

18	Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year	No Comments.
19	The Company has no outstanding debentures during the period under audit.	No Comments.
20	The Company has not raised any money by public issue during the year.	No Comments.
21	Based on the audit procedures performed and the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management. However, we have received a complaint letter dated 15 th July 2014 from an employee of the company and a report dated 24 th July 2014 by Director HR of the company both implying that some irregularities have occurred in financial transactions and appointments in the company. We have also been given to understand that the company is in the process of investigating these matters so as to establish whether or not a fraud has been committed on the Company.	Company is in the process of investigating the reported matters so as to establish whether or not a fraud has been committed on the Company.