

UTTARAKHAND POWER CORPORATION LTD(UPCL)
URJA BHAWAN, KANWALI, DEHRADUN-248001

REPORT U/S 619(3)(a) OF THE COMPANIES ACT 1956
FOR THE YEAR ENDED 31ST 2006

MENTARY AUDIT REPORT IN PURSUANCE OF DIRECTIONS
BY COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER
SECTION 619(3)(A) OF THE COMPANIES ACT, 1956 ON THE AUDIT OF
UTTARANCHAL POWER CORPORATION LTD., DEHRADUN FOR THE
YEAR ENDED 31ST MARCH, 2006

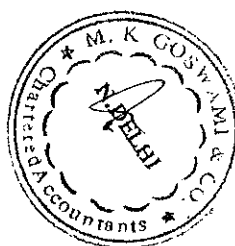
I	SYSTEM OF ACCOUNTS	Replies
1.	Examine the following systems and give your view as regards their deficiencies along with suggestions for remedial measures:-	
a)	Recording of receipts and expenditures	The receipts and expenditure have been properly recorded.
b)	Drawing of Periodic Trial Balance	Trial Balances are drawn on monthly basis.
c)	Compliance of Accounts	Balance Sheet and Profit Loss Accounts are compiled and prepared at Head Office. Compilation of Trial Balance is done at Zonal Level. However delay has been noticed in sending the accounts by the divisional offices/units to Zonal Office.
d)	Recording procurement and disposal of Stores	As explained to us, the procurement is done at weighted average cost and issue/disposal made at standard fixed rate.
e)	Reconciliation of Inter office Accounts	As explained to us broad sheet of inter unit transfers are maintained at Zone Level as well as Head Office level in respect of transfers between Zones and outside Zones respectively. However there are very old outstanding Inter Unit balances in the Balance Sheet which need to be reconciled.



2.	Indicate whether expenditure during construction is appropriately accounted for with allocation between capital and revenue expenditure?	Not Applicable, as the company is engaged in the distribution of electricity. However for lying of transmission lines overhead has been charged properly to Capital Work In Progress.
3.	Are bank accounts of the company reconciled with the bank statements regularly? If not, describe the failures:	Yes, on monthly basis. However few outstanding entries have been noticed which need to be adjusted suitably in the accounts.
4.	Are control accounts and subsidiary accounts up-to-date and reconciled regularly? If not, describe the failures:	Yes, the control accounts and subsidiary accounts are updated and reconciled regularly.
5.	Examine the accounting policies of the company. Are these in conformity with the Accounting Standards (National and in the absence of National Standards on certain issues, the corresponding International Standards? Give particulars of material departures from these standards, if any, along with their effects on the financial statements; quantify the impact wherever possible.	The Accounting Policies of the company is generally in conformity with the accounting standards except otherwise stated in our main "Audit Report" on even date.
II SYSTEM OF FINANCIAL CONTROL		
1.	Examine the delegation of financial powers and indicate whether these are clearly and legally made within the Company. If not, describe the defects in the delegation of powers and suggest remedial measures.	The delegation of financial power is generally within the limits and is clearly and legally made within the Company.
2.	Indicate whether the credit obtained (including overdrafts) from banks were necessary and monitored regularly?	Not Applicable, as the company has not obtained credit facilities from any bank.
III ASSETS AND INVESTMENTS		
1.	Have the dates of installation and commissioning of plant and machinery been clearly fixed by the authority to whom the powers have been delegated by the Board?	As informed/explained to us, the date of commissioning/installation of transformer/laying cable are fixed by the Chief Engineer. However we have not been provided any kind of documentary evidence to confirm the above.



2.	Indicate whether the property and assets registers are posted up to date and are reconciled with financial books?	No fixed asset register has been maintained by the company during the year. As explained to us the company is in the process of maintaining the fixed assets register. Hence we are unable to comment on this clause.
3.	Examine and indicate whether the company has a system of monitoring the timely recovery of outstanding dues? Highlight the significant instances of failure of the system, if any.	Yes. However we observed that, there are huge amount of outstanding balances against parties. We also observed that there are number of cases where cheques received from various customers get dishonored and are outstanding. We have not been offered satisfactory explanation in this regard
4.	Indicate whether the cash and imprest balances were physically verified during the year on a regular basis by an authorized officer? Highlight the inadequacies in this regard, if any.	Yes, the same is verified on monthly basis.
5.	Indicate whether the Company has laid down an investment policy? If yes, please indicate the following:-	No Investment Policy has laid down by the company.
a)	Authority approved the policy.	Not Applicable
b)	Is it in accordance with the laws, rules and regulations applicable to the Company?	Not Applicable
c)	In your opinion, are there any defect s in the policy?	Not Applicable
d)	Has the Company followed it in cases of all material investments made during the year?	Not Applicable
e)	Were the investments made by the company in its best interest?	Not Applicable
f)	Is the shortfall in market value of the current investment and permanent diminution in the value of long- term investments reflected in the books? If not, describe the failure.	Not Applicable
6.	Indicate whether the deposit with Banks/Financial Institutions and others have been in accordance with laws, rules, regulations etc. applicable to the company? Further state whether these were properly authorized by a competent authority?	Yes



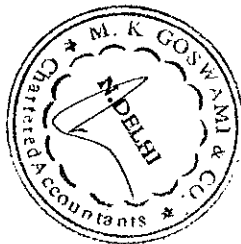
7.	Is there a proper system to analyse the Sundry Debtors outstanding for more than 3 years.	There is a proper system to analyse sundry debtors outstanding more than three years.
8.	Is there any system to identify Plant & Machinery becoming obsolete due to change in technology? If so, what is the value of such Plant & Machinery at the end of the year including the value of spares?	No such system is followed by the Company.
9.	Does the Company have instructions / guidelines issued by Government/BPE in regard to investment? Were the investments made by the Company in contraventions of these instructions?	Not Applicable
IV	<u>LIABILITIES AND LOANS:</u>	
1.	Give the total amounts of loans (including interest and defaults penal interest separately) where were made in repayment as at the end of the accounting period.	-----NIL-----
V	<u>PROFIT AND LOSS ACCOUNT:</u>	
1.	Does the Company prepare segment-wise accounts and profit/loss statement? If so, indicate the loss making segment If any and If not, whether in your opinion, it would be in the overall interest of the company to prepare segment -wise profit/loss statement?	<p>The company does not prepare segment-wise profit and loss statement. Only Trial Balance are being prepared segment wise (Unit Wise)</p> <p>In our opinion segment-wise (Unit Wise) Profit and Loss Statement will definitely help the company to identify and analysis of the loss making segment (Unit), which would be in the overall interest of the company.</p>
VI	<u>INVENTORY AND CONTRACTING:</u>	
1.	Examine whether the Company has prescribed the following in regard to the management of stores:-	
a)	Maximum and minimum limits of stores and spares etc.	Yes
b)	Economic order quantity for procurement of stores.	Yes
2.	Indicate whether the company usually makes advance payment to suppliers/contractors? If so, indicate whether the company has an efficient system for monitoring and adjusting which advances?	Yes, Turkey mobilization advances are given & the same are monitored & adjusted.



	Does the Company maintain approved list of suppliers for issuing Limited Tender enquiries review/ update such list at reasonable intervals?	Yes
4.	Are there cases where the Company has regularly placed major portion of the orders on individual party even though formality of inviting limited tenders was resorted to?	No.
VII	<u>COSTING</u>	
1.	Does the Company prepare cost accounts and reconcile them with financial accounts?	Not Applicable
2.	Indicate whether the Company is following the proper system of costing and is computing the cost of major operations, jobs, products processes and services regularly? If not, describe the failures.	Not Applicable
3.	Indicate whether the company has an effective system for identification of idle labors-hours and idle machine-hours?	Not Applicable
4.	Was cost audit ordered in the case of the Company? If so highlight the major deficiencies pointed out in the latest cost audit report.	Not Applicable
5.	Has the Company fixed any norm for rejection in the case of formulations made by it? Is there any system of review of actual rejections with norms so fixed?	Not Applicable
VIII	<u>INTERNAL AUDIT</u>	
1.	Give your comments on Internal Audit System stating whether its reporting status, scope of work, level of competence, etc. are adequate? If not, describe the shortcomings thereof. Is there an adequate compliance mechanism on internal audit observations?	According to information and explanation given to us, the company has an Internal Audit System (In House) commensurate with the size of the company & nature of its Business.
2.	Does the Company have a system of reporting serious /major irregularities reflected in the Internal Audit Reports to the Board of Directors?	The company has a system of reporting serious/major irregularities reflected in the Internal Audit report to the Board of Directors.
IX	<u>AUDIT COMMITTEE:</u>	
1.	Does the company have an Audit Committee of the Board of Directors? If so, give your comments on its functioning.	As explained to us the company has a functional audit committee that meets on quarterly basis to remove the irregularities.



	ADDITIONAL DIRECTIONS:	
	'Part A'	
	(Applicable for audit of Trading Companies including Food Corporation of India)	
1.	Indicate whether the Company has devised proper system for:-	Not Applicable
a)	Specifying the quality of goods intended to be purchased / processed	Not Applicable
b)	Inspecting the goods after purchase / procurement to see that they confirm to the specified quality.	Not Applicable
c)	Periodicals inspection the goods in stock to safeguard against deterioration and other Leases.	Not Applicable
d)	Safe storage of goods	Not Applicable
e)	Indicate significance instances where the Company has not followed the system and has therefore suffered losses (quantify loss in each case)	Not Applicable
2.	Indicate whether the Company takes adequate steps to safe guard against transit losses suffered by the Company during the year under audit and the amount realized there against.	Not Applicable
3.	Indicate the adequacy of the system of accounting for 'return inward'	Not Applicable

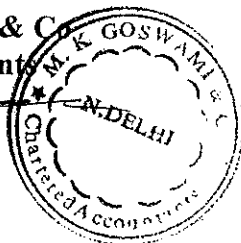


Part B'

	<u>(Applicable for audit of Company engaged in financing)</u>	
1.	Has the Company laid down a procedure for appraisal of loan applications? Is the procedure adequate?	Not Applicable
2.	Indicate whether the loans advanced by the company during the year are in conformity with the relevant act, Rules, Orders and Directors of the Government/Reserve Bank of India?	Not Applicable
3.	Has the company taken adequate steps against defaulters during the year? If not, Indicate significant instances of company's failure.	Not Applicable
4.	Does the company have an effective system of identifying non – performing loans and advances? Does the criterion in this regard conform to the norms laid down by the RBI? Does the company monitor such loans and advances effectively? Is revenue recognition of such advances as per the norms?	Not Applicable
5.	In case the company is engaged in leasing, is the accounting for lease transactions in accordance with the guidance note/ other recommendations issued by the Institute of Chartered Accountants of India?	Not Applicable

For M.K. Goswami & Co.
Chartered Accountants

CA. M.K. Goswami
Partner



Place: New Delhi

Date: 23/12/2009

ANNEXURE

(This information is factual and should be obtained from the Management)

1.	Indicates the areas where the company has computerized the accounts system. Have the General and Application controls been reviewed periodically to derive assurance that the system is deficiencies reported by internal auditors/statutory auditor's along with the remedial measure being taken by the management	Accounts of the divisional offices are maintained manually. Compilation of divisional offices accounts is done on computer at Zonal Office. Online accounting process of accounts is in process & soon all units will start working on online computerized system.
2.	Indicate whether the shares of the Company are quoted in the market? If so, give the following information	No, the shares of the company are not quoted in the market.
3.	Indicate the break -up of equity share capital held at the end of the financial year by:- Government of India & Government of States: Indian Banks and Financial Institutions: Foreign Banks and Foreign Companies/Institution: Public in India and /or outside:	50,000 Equity Shares of Rs.1000/- each, State of Uttarakhand.
4.	Is the Company facing any legal action on account of default of repayment of debts? If so give brief description.	As explained to us, the company is not facing any legal action on account of default of debts.
5.	Are the accounts of the company in arrears? if so state the reasons therefore and the action taken to bring the accounts up-to-date.	No account of the company is in arrear.
6.	Is any product in which company deals subjected to statutory or other price control? if so list the products and nature of control	Yes, electricity Tariff is fixed by the Uttarakhand Electricity Regulatory Commission.(UERC)
7.	Does the company remit royalty or others abroad or make inter company transfers abroad? If so give details.	NO
8.	Manufacturing and Production Accounts.	
(a)	Indicate whether the company has entered into a Memorandum of understanding with its Administrative Department? If yes, have target in MOU been split unit – wise statement of targets and achievements against the parameters in MOU.	Not Applicable



(b)	Does the Company present a case for energy audit? If yes, has the audit been conducted by a specialized agency.	Not Applicable
(c)	Has the Company provided anti-pollution devices for guarding against pollution of land, water and air? Has the Company caused by it? Has the Company taken up any measure to repair environmental degradation caused by it? If not describe significant failures pointed out by internal auditors statutory agencies along with the remedial measures being taken by the management.	Not Applicable
(d)	Has the Company or any other authorities fixed norms for losses/wastage for (i) raw materials for manufacturing of major products, (ii) in storage, transit etc? When these norms were last reviewed? Do the norms require revision?	Not Applicable
9.	Does the Company have adequate system for regularly identifying and monitoring disposal of non-moving, obsolete or surplus raw materials, stores and spares (excluding insurance spare) finished goods? What is the age-wise analysis (upto two years, two to three years, three to four years, four to five and over five years) of such items?	Not Applicable
10.	Has the Company defaulted in payment of loans during the last three years? If so, attach a list of such loans as at the end of each of the period showing the amount of interest, penalty etc.	No, the company has not defaulted in payment of loans during the last three years.
11	Indicate the percentage of rejections to production/sales at the end of the last three years giving comparative norms/standards in this behalf.	Not Applicable
12	Is the Manpower employed in excess of norms, If any, fixed by the company? If so, the scheme introduced, like VRS, or steps taken by the Company to bring the Manpower position within norms may be Indicate.	As explained to us, there is no manpower employed in excess of norms.
13.	Indicate whether the Company usually makes advance payments to suppliers / contractors? If so, indicate whether the Company has an efficient system for monitoring and adjusting such advances?	Generally payments are made to suppliers/ contractors on or after the receipt of materials from them. However, if in any case advance is made to suppliers/contractors, company closely monitors such advances & adjusts such advances.



K. GOSWAMI & Co.

CHARTERED ACCOUNTANTS

4/8, Asaf Ali Road, First Floor,
New Delhi-110 002
Ph. : 23275826, 23287408 Fax : 23274352
E-mail : mkgandco@ndb.vsnl.net.in
mkgandco@bol.net.in

24th December, 2009

Office of the,
Comptroller and Auditor General of India(C&AG)
10, Bahadur Shah Zafar Marg,
New Delhi-110124

Sub: Submission of Audit Report of Uttarakhand Power Corporation Ltd. (UPCL) for the year ended 31st March, 2006.

Dear Sir,

We are submitting herewith the copies of the following documents in connection with the subject above.

1. Copy of our Audit Report
2. Copy of Suplimentary Audit Report u/s 619(3)(a) of the Companies Act, 1956.
3. Copy of Balance Sheet along with annexure and schedules.
4. Compliance Certificate

We hope your good self will find the above in order.

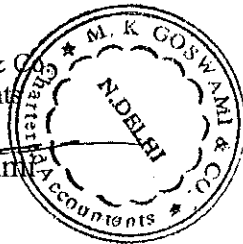
Kindly acknowledge receipt.

Thanking you,

Yours faithfully,

For M.K.Goswami & Co.
Chartered Accountants

CA. M.K. Goswami
Partner.

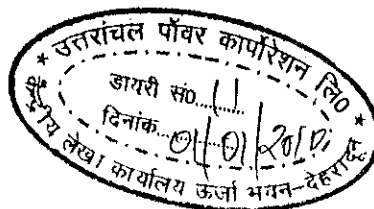


No. 9157 /MD/ A-5
DL 30/12/2009
DGM (F), H.R.
MM
30.12.09
MD

Encl: As above

- CC: 1. Accountant General (Audit), Uttarakhand, Oberoi Motors Building,
Saharanpur Road, Majra, Dehradun-248171
2. The Managing Director, Uttarakhand Power Corporation Ltd (UPCL)
Urja Bhawan, Kanwali, Dehradun-248001.

Shri Karan Sharma
Sr. AO I
01/01/10



UTTARAKHAND POWER CORPORATION LTD.

BALANCE SHEET AS ON MARCH 31, 2006

Particulars	Schedule Ref.	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	50,000,000	50,000,000
Reserves and Surplus	2	6,105,774,961	4,907,739,916
Loan Funds			
Secured loans	3	3,235,328,836	3,107,111,397
Unsecured loans	4	7,496,867,838	6,759,334,856
Deffered Tax Liability (NET)		297,820,832	297,820,832
Deposits received from the Consumers for Electrification	5	843,815,950	671,294,678
TOTAL		18,029,608,417	15,793,301,679
APPLICATION OF FUNDS			
Fixed Assets	6		
Gross block		12,511,863,725	11,505,175,500
Depreciation		6,431,843,879	5,582,871,216
Net block		6,080,019,846	5,922,304,284
Capital Works-in-Progress	7	5,106,201,640	2,322,100,518
Current Assets, Loans and Advances			
Current Assets	8	13,782,408,309	14,593,681,994
Loans and Advances	9	3,471,163,521	3,180,457,898
Less: Current Liabilities and Provisions	10	14,478,001,777	12,850,039,825
Net Current Assets		2,775,570,053	4,924,100,067
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Profit and Loss Appropriation Account (Accumulated losses)		4,067,816,878	2,624,796,810
Total		18,029,608,417	15,793,301,679
Significant Accounting Policies and Notes to Accounts	18	-	-

" SCHEDULE 1 TO 18 FORM AN INTEGRAL PART OF THE BALANCE SHEET"

AUDITORS REPORT

"AS PER OUR SEPARATE REPORT OF EVEN DATE"

FOR M.K.GOSWAMI & CO.

CHARTERED ACCOUNTANTS

(M.K.GOSWAMI)
F.C.A. PARTNER

DATED : 23/12/2009
New Delhi

(J.M.LAL)
MANAGING DIRECTOR.

A.K.JOHRI

DIRECTOR(PROJECTS)

(H.P.VYAS)

(COMPANY SECRETARY)

UTTARAKHAND POWER CORPORATION LTD.
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Particulars	Schedule Ref.	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
(A) Income			
Gross revenue from sale of electricity	11	8,357,132,599	7,575,669,947
Other Income	12	547,304,966	210,796,348
Total (A)		8,904,437,565	7,786,466,295
(B) Expenditure			
Purchase cost of electricity	13	6,658,527,820	5,733,890,393
Transmission and distribution expenses	14	315,892,675	271,907,230
Personnel expenses	15	876,640,037	847,619,812
Administration expenditure	16	390,598,687	125,944,194
Interest and other financial charges	17	745,268,081	1,256,957,465
Depreciation	6	938,223,147	856,635,228
		9,925,150,447	9,092,954,322
(C) Provisions			
Provision For Bad & Doubtful Debts		419,500,000	376,326,725
Total (B) + (C)		10,344,650,447	9,641,374,243
Profit before Taxes (A) – (B + C)		(1,440,212,882)	(1,682,814,752)
Income tax		-	-
Wealth tax		-	-
Fringe Benefit Tax		2,807,186	-
Profit / (Loss) after taxes		(1,443,020,068)	(1,682,814,752)
Deferred Tax Liability		-	39,797,302
Transfer to Statutory reserves		-	-
Amount available for Appropriation		(1,443,020,068)	(1,722,612,054)
Less:			
Dividend		-	-
Transfer to Capital reserves		-	-
Amount carried to Balance sheet		(4,067,816,878)	(2,624,796,810)
Earning per share			
Basic			
Diluted			
Significant Accounting Policies and Notes to	18		

" SCHEDULE 1 TO 18 FORM AN INTEGRAL PART OF THE BALANCE SHEET"

AUDITORS REPORT

"AS PER OUR SEPARATE REPORT OF EVEN DATE"

FOR M.K.GOSWAMI & CO.

CHARTERED ACCOUNTANTS

(M.K.GOSWAMI)
F.C.A. PARTNER

(J.M.LAL)
MANAGING DIRECTOR.

A.K.JOHRI
DIRECTOR(PROJECTS)

(H.P.VYAS)
(COMPANY SECRETARY)

DATED: 28/12/2008
New Delhi

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

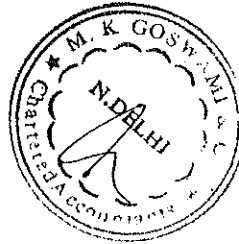
Schedule 1 – Share capital

Particulars	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
Authorised capital 50000 ,Equity shares of Rs.1000 each	50,000,000	50,000,000
Issued capital 50000 ,Equity shares of Rs.1000 each	50,000,000	50,000,000
Subscribed and paid up capital 50000 Equity shares of Rs.1000 each Rs1000 called up	50,000,000	50,000,000
Total	50,000,000	50,000,000



Schedule 2 – Reserves and Surplus

Particulars	Amount (in Rs.) as at 01-04-2005	Additions during the Year	Deductions during the Year	Amount (in Rs.) as at 31-03-2006
General reserves(Deferred Tax Asset Reserve)	34,056,794	-	-	34,056,794
Staff Pension ,Gratuity & Leave Salary Fund	128,730,592	68,110,552	60,169,490	136,671,654
Transitory reserve	9,657,000	-	-	9,657,000
Consumer Contribution for Service Connections & Lines	921,365,255	128,813,607	-	1,050,178,862
Contribution Towards Deposit Works	585,088,775	281,091,349	206,526,424	659,653,700
State Government Grants Towards Capital Works	3,228,841,500	986,715,451	-	4,215,556,951
Total	4,907,739,916	1,464,730,959	266,695,914	6,105,774,961



Schedule 3 – Secured loans

S.NO.	PARTICULARS	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
1	R.E.C. LOANS-(Secured By Guarantee of Uttaranchal Govt.)	1,893,000,000	2,020,200,000
	AERP-(REC Loan)-(Secured By Guarantee of Uttaranchal Govt.)	802,286,000	609,265,100
2	R.E.C. LOANS-RGGVY	62,396,539	-
	Sub Total	2,757,682,539	2,629,465,100
	ADD : Interest Accrued & Due	477,646,297	477,646,297
	TOTAL	3,235,328,836	3,107,111,397

Schedule 4 – UnSecured loans

S.NO.	PARTICULARS	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
1	U.P. GOVERNMENT LOAN	677,324,295	677,324,295
2	G.P.F. LOAN	1,271,000,000	1,271,000,000
3	STATE GOVERNMENT LOANS :	1,327,481,630	1,212,115,505
	Sub Total	3,275,805,925	3,160,439,800
	ADD : Interest Accrued & Due	4,221,061,913	3,598,895,056
	TOTAL	7,496,867,838	6,759,334,856



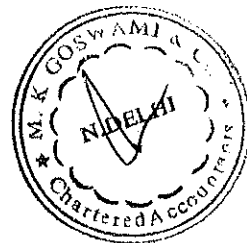
Schedule 5 – Security Deposit received from consumers for electrification

S.NO.	Particulars	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
1	Security Deposit From Consumers	795,119,994	631,088,553
	Add : Interest accrued	48,695,956	40,206,125
	Total	843,815,950	671,294,678



Schedule 6 - Fixed Assets

SL. NO.	Assets Group	Gross Block				Provision of Depreciation				Net Block as on 31.3.2006 (Rs.)	Net Block as on 31.3.2005 (Rs.)
		Opening Bal. As on 1-04-2005 (Rs.)	Additions during the year (Rs.)	Deductions during the year (Rs.)	Current Year as on 31.03.06 (Rs.)	Opening Bal. As on 1-04-2005 (Rs.)	Additions during the year (Rs.)	Deductions during the year (Rs.)	Closing Bal. as on 31-03-06 (Rs.)		
1	2	3	4	5	6	7	8	9	10	11	12
1	Land and Rights	38040800	3037996	0	41078796	0	0	0	0	41078796	38040800
2	Buildings	489650344	1208892	0	490859236	185730314	16415485	0	202145799	288713437	303920030
3	Hydraulic Works	3681297	0	0	3681297	1811799	125164	0	1936963	1744334	1869498
4	Other Civil Works	10977450	0	0	10977450	3564164	331519	0	3895683	7081767	7413286
5	Plant & Machinery	1067097501	374661338	289828124	1151930715	311239512	83797785	77884110	317153187	834777528	755857989
6	Lines&Cable Network	9831729576	945878201	36292312	10741315465	5043720929	823692266	10993076	5856420119	4884895346	4788008645
7	Vehicles	27573027	429500	776078	27226449	28489684	9209391	327576	37371499	-10145050	-916658
8	Furniture and Fixtures	16210734	1607193	27850	17790077	5570493	2070111	0	7640604	10149473	10640240
9	Office Equipment	20214774	6812466	23000	27004240	2744321	2581426	45722	5280025	21724215	17470453
	TOTAL	11505175503	1333635586	326947364	12511863725	5582871216	938223147	89250484	6431843879	6080019846	5922304283



Schedule 7 - Capital Works-in-Progress

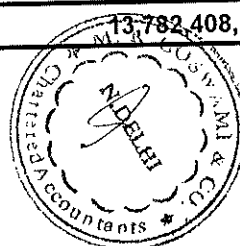
SL NO.	PARTICULARS	Balance as on 01.04.2005 (Rs.)	Additions during the year (Rs.)	Capatitalization during the year (Rs.)	Balance as on 31.03.06 (Rs.)
1	2	3	4	5	7
1	Capital Works-in-Progress	1,138,456,631	2,630,530,582	1,333,624,035	2,435,363,178
2	Revenue Expenditure pending allocation over Capital Works	323,400,000	123,500,000	-	446,900,000
3	Advances to Suppliers and Contrators	860,243,887	2,086,139,069	722,444,494	2,223,938,462
	TOTAL	2,322,100,518	4,840,169,651	2,056,068,529	5,106,201,640



Current assets, loans and advances

Schedule 8 – Current assets

Particulars	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
Stores and Spares (As Certified by the Management) :		
1. Stock Materials at Construction Stores	1,351,094,622	1,316,961,604
2. Stock Material at other Stores	271,136,098	179,261,250
3. Other Material Account	53,146,116	51,004,056
4. Material Stock Excess/Shortage-pending Investigation /	1,939,989	2,058,775
	1,677,316,825	1,549,285,685
5. Less:-Provision for obsolete & Scrap Material	(145,200,000)	(145,200,000)
SUB TOTAL (A)	1,532,116,825	1,404,085,685
Sundry Debtors		
• Debts outstanding for a period exceeding six months		
- Considered good	6,730,056,977	7,051,699,521
- Considered doubtful	3,538,164,636	3,161,837,911
• Other debts		
- Considered good	273,160,544	250,442,481
- Considered doubtful	419,500,000	376,326,725
	10,960,882,157	10,840,306,638
Less:- Provision for Bad & Doubtful Debts	(3,957,664,635)	(3,538,164,636)
SUB TOTAL (B)	7,003,217,522	7,302,142,002
Advance Fringe Benefit Tax	2,807,186.00	-
Cash & Bank Balances :		
Cash in hand	127,730,973	51,795,411
Cash in transit	141,778,134	171,093,180
Bank balances		
• With scheduled banks		
- In current account	847,334,496	2,201,817,208
- In Deposits account	4,127,423,173	3,462,748,508
SUB TOTAL (C)	5,247,073,962	5,887,454,307
TOTAL (A TO C)	13,782,408,309	14,593,681,994



Schedule 9 – Loans and advances

S.NO.	Particulars	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
1	Sundry Receivables	1,039,143,339	941,691,760
2	Recoverable From State Govt. (On finalisation of transfer scheme of PTCUL)	1,888,140,313	1,888,140,313
3	Advances recoverable in cash or kind for value to be received :		
	a) Advances for O&M Supplies/Works	20,310,570	17,213,696
	b) Loans & Advances to Staff	4,014,873	3,623,704
4	Inter Unit Transactions	519,554,426	329,788,425
	TOTAL	3,471,163,521	3,180,457,898



Current liabilities and provisions

Schedule 10 – Current liabilities

S.No.	Particulars	Amount (in Rs.) as at 31-03-2006	Amount (in Rs.) as at 31-03-2005
1	SUNDRY CREDITORS :		
	-For Power Purchase	8,810,757,156	8,378,622,788
	-For Capital Supplies/Works	382,052,421	108,102,076
	-For O&M Supplies/Works	26,397,051	24,302,578
	-For Expenses	18,882,600	18,641,533
2	Staff Related Liabilities & Provisions	559,319,010	390,783,618
3	Deposits for Electrification, Service Connections etc.	972,803,956	748,253,245
4	Deposits & Retention Money from supplier / contractors	219,772,065	90,289,708
5	Other Deposits Payable	3,473,395	125,409,864
6	E.D. & Other levies Payable To Government	628,112,159	210,595,658
7	Other Liabilities & Provisions	2,241,016,099	2,139,622,892
8	Payable to PTCUL (Transfer of Assests/Liabilities)	615,415,865	615,415,865
	TOTAL	14,478,001,777	12,850,039,825



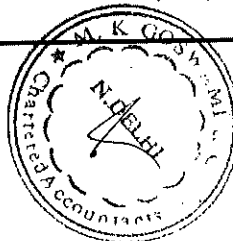
Schedule 11 – Gross revenue from sale of electricity

Particulars	Amount (in Rs.)	Amount (in Rs.)
	Current Year	Previous Year
Revenue from Sale of Power to Consumers	8,290,406,153	7,354,441,302
Meter rent/ service line rental	12,924,280	147,608,231
Miscellaneous charges from Consumers	53,802,166	73,620,414
Total	8,357,132,599	7,575,669,947



Schedule 12 – Other income

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Interest	13,500,000	42,573,588
Power Trading Receipts	260,204,400	52,380,000
Delayed payment charges from Consumers	26,140,279	25,684,494
Miscellaneous Receipts	139,683,618	16,139,211
Income from Staff Welfare Activities	981,988	497,752
Rebate/Incentives	106,794,681	73,521,303
Total	547,304,966	210,796,348



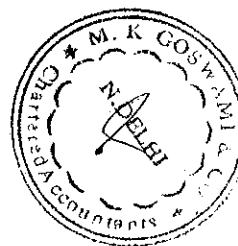
Schedule 13 – Purchase Cost of Electricity

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
UJVNL	2,794,851,570	2,366,802,938
NRLDC	151,709,139	124,345,540
NTPC	3,204,419,912	2,971,349,007
NHPC (Including supply from Tanakpur Power)	474,806,520	408,732,984
NPCL	176,804,945	241,773,178
UREDA	1,219,108	217,127
UPPCL- Reactive Charges	-	7,077,460
Satluj Jal Vidyut Nigam	20,446,054	-
HRYP	6,392,856	-
Regency Aquaelectro & Motel Resorts Ponta	28,996,024	-
M/s Him Urja Pvt. Ltd.	66,074,341	63,368,725
Total Purchase cost of Electricity	6,925,720,469	6,183,666,959
PGCIL -(Wheeling Charges)	439,000,778	246,537,149
PSEB-(Wheeling Charges)	3,983,768	-
PTCUL -(Wheeling Charges)	307,700,000	239,900,000
Total Cost (Including Transmission Charges)	7,676,405,015	6,670,104,108
LESS : U.I. Charges received from NREB	(1,017,877,195)	(936,213,715)
Net Cost	6,658,527,820	5,733,890,393



Schedule 14 – Transmission and Distribution expenses

Particulars	Amount (in Rs.)	Amount (in Rs.)
	Current Year	Previous Year
Repairs and maintenance – Plant and machinery	127,896,515	128,252,202
Repairs and maintenance – Building & Civil Works	9,880,732	18,306,680
Repairs and maintenance – Lines, cables works, etc.	176,477,486	125,194,134
Repairs and Maintenance – Others	1,637,942	154,214
Total	315,892,675	271,907,230



Schedule 15 – Personnel Expenses

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Managerial Remuneration-Directors	2,302,423	1,742,381
Salaries, wages, allowances and bonus(including Directors Remuneration)	811,287,544	780,608,549
Terminal Benefits	150,116,023	174,712,338
Other staff costs	73,839,857	65,195,981
Less: Employee cost charged to Capital WIP	(160,905,810)	(174,639,437)
Total	876,640,037	847,619,812



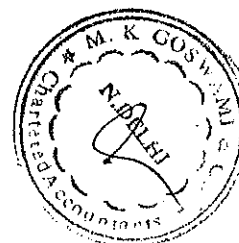
Schedule 16 – Administration expenditure

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Rent, rates and taxes	1,900,616	2,423,460
Electricity and water	17,757,686	20,059,347
Insurance	781,681	584,170
Communication	14,364,276	11,468,439
Printing and stationery	10,476,015	11,032,891
Travelling and conveyance	31,723,411	25,679,851
Legal & professional	9,254,383	14,102,969
Remuneration to auditors	108,792	108,792
Share of State Govt.in Trading	268,067,468	-
Advertisement and promotion	10,016,289	9,702,753
Miscellaneous Expenses	33,400,857	13,110,263
Entertainment expenses	2,400	847,683
Compensation expenses to staff/outside rs	866,891	1,456,702
U.E.R.C. Fees	5,113,849	30,615,200
Less: Administrative expenses charged to Capital WIP	(13,235,927)	(15,248,326)
Total	390,598,687	125,944,194



Schedule 17 – Interest and Other Financial Charges

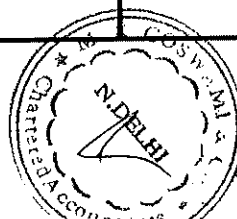
Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Rebate/ discount allowed to consumer on sale of electricity	23,676,335	23,188,377
Interest on State Govt.Loans	135,512,338	134,150,958
Interest on Other Loans & Liabilities	645,202,790	1,157,252,193
Interest on Consumers Security Deposit	21,393,177	17,064,543
Guarantee Fees to U.A.Govt.	41,242,360	41,242,360
Other financial and bank charges	1,741,081	359,034
Less: Interest and other financial charges charged to Capital WIP	(123,500,000)	(116,300,000)
Total	745,268,081	1,256,957,465



UTTARAKHAND POWER CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31st MARCH 2006

SRL NO.	PARTICULARS	RUPEES (IN CRORES)	
A.	<u>CASH FLOW FROM OPERATING ACITIVITIES</u>		
	Net Profit/(Loss) before tax and extra-ordinary items	(144.30)	
	Adjustments for:		
	i) Depreciation	93.82	
	ii) Interest	74.53	
	iii) General Reserve	119.80	
	iv) Interest Income	(1.35)	
	Operating profit before working capital changes	142.50	
	<u>Adjustment for Working Capital Changes</u>		
	i) Inventory	(12.80)	
	ii) Debtors	29.89	
	iii) Other Current Assets, Loans and Advances	(29.07)	
	iv) Current Liabilities & Provisions	162.80	
	Cash generated from Operations	293.32	
	Net Cash from Operating Activities		293.32
B.	<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
	i) Purchase & Sale of Fixed Assets	(109.59)	
	ii) Capital Work in Progress	(278.41)	
	iii) Deferred Revenue Expenditure	-	
	iv) Interest Income	1.35	
	Net Cash from Investing Activities		(386.65)
C.	<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
	i) Increase in Loan Balances & Cash Credit	86.58	
	ii) Increase in Deposits	17.25	
	iii) Increase in Deffered Tax Liability	-	
	iv) Interest paid	(74.53)	
	Net Cash from Financing Activities		29.30
	NET INCREASE IN CASH & CASH EQUIVALENTS [A+B+C]		(64.03)
	CASH & CASH EQUIVALENTS AS AT 1ST APRIL 2005 [OPENING BALANCE]		588.74
	CASH & CASH EQUIVALENTS AS AT 1ST APRIL 2006 [CLOSING BALANCE]		524.71



**Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956:
Balance Sheet Abstract and Company's General Profile**

Registration No.

Balance Sheet Date

Date Month Year

Public Issue									
N	I	L							

Bonus Issue

N	I	L							
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Rights Issue									
N	I	L							

Private Placements									
N	I	L							

Total Liabilities									
0	0	1	8	0	2	9	6	0	8

Paid-up Capital									
0	0	0	0	0	5	0	0	0	0

Total Assets									
0	0	1	8	0	2	9	6	0	8

Reserves & Surplus									
0	0	0	6	1	0	5	7	7	4

Secured Loans									
0	0	0	3	2	3	5	3	2	9

Unsecured Loans									
0	0	0	7	4	9	6	8	6	7

Deferred Tax Liability (Net)									
				2	9	7	8	2	0

Net Fixed Assets									
0	0	0	6	0	8	0	0	1	9

Investments									
N	1	1							

Net Current Assets

(+)	(-)
+	2775570

N									
---	--	--	--	--	--	--	--	--	--

Accumulated Losses									
0	0	0	4	0	6	7	8	1	6

Turnover (Total Income)									
0	0	0	8	9	0	4	4	3	7

(+)(-) Profit & Loss(Before Tax								
-		1	4	4	0	2	1	2

Total Expenditure									
0	0	1	0	3	4	4	6	5	0

(+) (-) Profit & Loss(After Tax)								
-		1	4	4	3	0	2	0

Earnings per Share in Rupees (Rs.)
(on profit after taxes)

N	1	L						
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(on distributable profits)

N	I	L							
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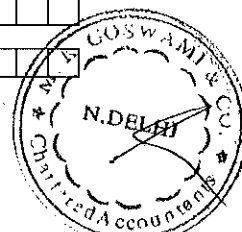
Dividend Rate (%)

Item Code Nos. (ITC Codes)									
N	-	A							

P	O	W	E	R	D	I	S	T	R	I	B	U	T	I	O	N
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N	-	A						
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P	O	W	E	R		T	R	A	D	I	N	G					
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UTTARAKHAND POWER CORPORATION LIMITED

SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

- 1.1 The Uttarakhand Power Corporation Limited 'Corporation' is a Company registered under the Companies Act, 1956 and therefore the same is governed by the provisions of the Company Act, 1956 and rules made there under.
- 1.2 The Financial Statements are prepared under the Historical Cost Convention following Accrual System of Accounting unless otherwise stated.
- 1.3 Accounting Policies are consistent with Generally Accepted Accounting Principal (GAAP) except wherever stated other wise.
- 1.4 The Corporation recognizes significant items of Income and Expenditure on Accrual Basis and the same are charged to Natural Heads of Accounts.
- 1.5 Insurance and other Statutory Claims, Refund of Custom Duty and Interest on Income Tax and Trade Tax, U.I. charges, if any are to be accounted for on Cash Basis.
- 1.6 Interest on Loans to staff is accounted for on Receipt Basis after Recovery of Principal in full.

2. GRANT-IN-AID:

- 2.1 According to the provisions of the Electricity (Supply) Act, 1948 Grants-in-Aid/Subsidies received from the Central/State Government or other authorities towards Capital Expenditure as well as Consumers Contribution to Capitals Works are treated as initially Capital Reserve.
- 2.2 Government Grants/Subsidies are recognized only, on reasonable assurance of the Government other and compliance to the conditions attached thereto, by the Corporation.

3. FIXED ASSETS:

- 3.1 Fixed Assets are shown on Historical Cost.

4. CAPITAL WORKS IN PROGRESS:

- 4.1 Capital Expenditure on Assets not owned by the Corporation is reflected as a distinct item in Capital Works-in-Progress till the period of completion and thereafter transferred to Fixed Assets, if the ownership devolves upon the Corporation.
- 4.2 In the case of Commissioned Assets, where final settlement of bills with Contractors is yet to be effected, capitalization is done on provisional basis subject to necessary adjustments in the year of Final Settlement.
- 4.3 In respect of supply-cum-erection contracts (Turn-Key Contracts), the value of supplies received at site and accepted, is treated as Capital Works-in-Progress.
- 4.4 Claims of the Price Variation in case of contracts are accounted for on acceptance of Bills.
- 4.5 Value of Construction Stores, are charged to Capital Works-in-Progress as and when material is issued. The material at the year end and lying at site is treated as part of the



Capital Work-in-Progress, but the material lying in the stores is grouped under the head Stores and Spares.

- 4.6 Due to multiplicity of functional units as well as multiplicity of functions in a particular unit, Employees Cost and General & Administrative expenses incurred on supervision of Capital works are Capitalized @ 18.45% of the amount of total Capital Expenditure.

5. BORROWING COST:

- 5.1 Borrowing Costs attributable to the Fixed Assets during their construction/renovation and modernization are capitalized. Such borrowings are apportioned on the average balance of Capital Work-in-Progress for the year. Other Borrowing Costs are recognized as expense in the period in which they are incurred.
- 5.2 The Borrowing Cost has been determined on proportionate basis as prescribed in the Electricity (Supply) (Annual Accounts) Rules 1985

6. INVENTORIES

- 6.1 The cost of inventories is valued as per weighted average cost method except for site stores which are valued at issue price
- 6.2 Stores and spares are valued at cost.
- 6.3 Stock of unserviceable material and steel scrap is valued at realizable value
- 6.4 Value of scrap other than steel scrap is accounted for in the accounts as and when sold.
- 6.5 Any shortage/ excess of materials found during the physical verification at the year end are first shown as material short/ excess pending investigation till the finalization of investigation and thereafter any excess, if established, is shown under the head of income. Similarly shortages are either recovered from staff concerned or charged to the profit and loss account as the case may be.
- 6.6 Shortage / loss due to theft or any other reason are first debited to the head Misc. Advance against staff and are shown as Current Assets till the finalization of enquiry/settlement of the case.

7. PROFIT AND LOSS ACCOUNT:

7.1 INCOME RECOGNITION

- 7.1.1 Sale of Energy is accounted for on the basis of Tariff Rates, notified/approved by the Uttarakhand Electricity Regulatory Commission.
- 7.1.2. Interest/Surcharge recoverable in Advances to Suppliers as well as warranty Claims/Liquidity Damages are not treated as accrued, due to uncertainty of realization/acceptance and are, therefore, accounted for on receipt of acceptances.
- 7.1.3. Late Payment Surcharge is charged against the payment of bills beyond the due date in the subsequent bill and is shown distinctly under the head "Other Income".
- 7.1.4. The Sale of Electricity does not include Electricity duty payable to the State Government as the same is not the Income of the Corporation.
- 7.1.5. The Liability for Electricity Duty is accounted for as and when the assessment of Supply of Electricity is made and the bill is raised on the Consumer.
- 7.1.6. Cash Discount/Rebates allowed for timely payment is shown separately as an expense in the Accounts.
- 7.1.7. Income arisen from the bills raised, for theft of energy in respect of Consumers, is accounted for on Accrual Basis.



- 7.1.8. Domestic Light & Fan and Power Consumers are billed on Bi-monthly basis except in case of Spot Billing, where these consumers are billed on monthly basis. Remaining categories of Consumers are billed on monthly basis.
- 7.1.9. Assessment of own Power Consumption at Sub-stations/Offices is done on the basis of connected load/ Hours of Supply.
- 7.1.10. Revision of Tariff is given effect from the effective date specified in the notification. In case of current bills, which include the applicable period of tariff revision, the effect of revised tariff is given for the period.

7.2. EXPENDITURE

- 7.2.1. Depreciation is charged on Straight Line Method as per the rates prescribed under the Electricity (Supply) Act, 1948 and as notified from time to time.
- 7.2.2. Depreciation on Fixed Assets is provided only on the assets in existence at the beginning of the year and no depreciation is provided on the additions made during the year, as per Electricity (Supply) Act, 1948.
- 7.2.3. Expenses on Training Recruitments and Research Development are charged to Revenue in the year of incurrence.

8. RETIREMENT BENEFITS:

- 8.1. The liability for Retirement Benefits of Employees in respect of Gratuity and Pension is provided on basis of actuarial valuation and accounted on accrual basis. The liabilities for Leave Encashment to employees have been provided on accrual basis.

9. INVESTMENTS:

- 9.1. Investments, if any, are stated at cost.

10. CONTINGENT LIABILITIES:

- 10.1 These, if any, are disclosed in the notes to the Accounts. Provision is made in the Accounts in respect of those contingencies only which are likely to materialize into Liabilities at the year end and have any material effect on the position stated in the Balance Sheet.

11. PROVISION FOR BAD & DOUBTFUL DEBTS:

- 11.1 The provision for Bad Doubtful Debts @ 5% is based on an overall assessment of the debtors.

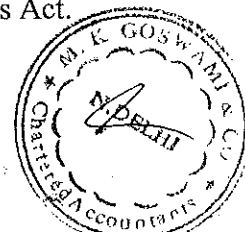
NOTES ON ACCOUNTS:

1. Annual Accounts for the period 2005-06 have been prepared after incorporating the transactions for the year 2005-06 in the Opening Balances of Assets and Liabilities as on 31-03-2005.



2. The Uttarakhand Power Corporation Limited received Equity Share Capital amounting to Rs. 5 Crores from the Government of Uttarakhand during the year 2001-02. Allotment of shares against the same has been made. No further Equity was added in 2005-06.
3. Security Deposits from Consumers has been shown as 'Other Funds' in the Balance Sheet keeping in view the nature of transactions. Provision for interest has been made @ 5.5% as per the notification of UPCL.
4. The provision for interest on GPF liability payable to Trust has been made @ 8% which was the applicable rate on G.P.F. balances during the financial year 2005-06. Irrespective of other loans and dues, the liability of interest has been calculated at the applicable rates except the outstanding dues payable to UPRVUNL & UJVNL, received under the transfer scheme from UPPCL, on which the interest has been worked out @ 13.5 % which was the applicable rate for Working Capital payable by the UPPCL during the Financial year 2005-06.
5. Provision for Accrued Liabilities on account of Pension & Gratuity for the period from 01-04-2005 to 31-03-2006 has not been made, as the same is being paid by the state government.
6. Provision for Accrued Liabilities on account of Gratuity for the period from 01-04-2005 to 31-03-2006 has been made @ 2.38% on the amount of Basic Pay and D.A. paid to employees, covered under the EPF scheme.
7. The provision for Bad and Doubtful Debts for the period under Review has been made @ 5% on overall assessment of the year.
8. Provision has been made for Audit Expenses to Auditors for the period 2005-06 as follows:

(a) Statutory Auditors & Branch Auditors	- Rs.80,000.00
(b) Tax Auditors (Other than Statutory Auditors)	- Rs. 8,000.00
(c) Income Tax Return Filing Fee	- Rs. 11,000.00
9. Liabilities towards Staff Training, Medical Reimbursement & Leave Travel Concession (LTC) has been provided to the extent established.
10. The Depreciation has been provided at the Corporate Accounts Office on the value of Fixed Assets in use as on 01-04-2005 in accordance with the Rates prescribed by the Government of India vide Notification No. SO 266(E) dated 29th March, 1994, issued in exercise of power conferred by sub-section (2) of section 43 (A), Sub-Section (1) of Section 68 and Sub-Section (3) of Section 75-A of the Electricity (Supply) Act, 1948. The Accumulated Depreciation which was so worked out has, however, been withdrawn by the field units on any asset ceases to be used due to obsolescence, inadequacy, superfluous ness or for any other reason.
11. The Depreciation amounting to Rs.93.82 Crores has been charged as per the rates of Electricity Supply Act, 1948. If the same would have been charged as per the rates of Companies Act, the same would have amounted to Rs.54.10 Crores. Thus a difference of Rs.39.72 Crores is due to the difference in rates as per Electricity Act & Companies Act.




12. Inter-Units Transfers amounting to Rs. 51.95 Crores (net) are under reconciliation and the effect of reconciliation shall be provided in the coming years.
13. On an overall basis the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to amounts that are stated in the Balance Sheet.
14. The Interest on the Loans and other Capital Liabilities received as a result of Transfer of Assets & Liabilities from U. P. Power Corporation Ltd. has been shown separately and the same is detailed as below:-
GPF accumulated Balances- Rs.53,91,47,035, REC Loans- Rs. 47,88,69,632, CPSU's. Dues (as per Ahluwalia Report)- 213,52,83,838, CPSUs Liabilities- Rs.344,232,173 & U. P. Government Loans including Liabilities of Power Purchased due to U.P.P.C.L., U.P.R.V.N.L & U.P.J.V.N.L. amounting to Rs. 114,07,67,099.
15. Interest Payable on Loans from Bank has been accounted for as and when debited by the Bank.
16. Interest received on Fixed Deposits with Bank and others has been accounted for on Accrual basis.
17. The Value of Contracts which were remaining to be executed as on 31st March 2006 amounted to Rs.868.77 Crores.
18. As there is Business Loss and also after considering Depreciation as per Income Tax Act and brought forward Losses, no provision for Income Tax has been made.
19. There are some pending court cases against the corporation, which are lying undecided in various courts and thus an approximate amount to the tune of Rs.828.00 Lakhs is foreseen as a Contingent Liability.
20. The Loans, other than REC Loan for Rs. 13,942.36 Lacs, Guaranteed by the Government of Uttarakhand, have been classified as Secured Loans and no charge has been created on the Assets of the Company.
21. Provision for Leave Salary Contribution Fund in the current year has been provided @ 11% of basic pay.
22. Due to the Division of State of Uttar Pradesh, State of Uttarakhand came into existence & a separate Corporation i.e. Uttarakhand Power Corporation Ltd.(UPCL) came into existence. UPCL took over the commercial operations in the area comprising of Garhwal Zone & Hill Zone (now known as Kumaon Zone) of Uttar Pradesh Power Corporation Ltd. (UPPCL) and as per Govt. Of India notification No. 42/7/2000-R&R dated 05/11/2001, the Assets & Liabilities of these Zones were transferred to UPCL w.e.f. 09/11/2001. The Assets & Liabilities relating to UPCL have been transferred provisionally by UPPCL as per MOM (Transfer Scheme) dated 12/10/2003. The said MOM (Transfer Scheme) dated 12/10/2003 has not yet been notified by the Government & thus the said transfer of Assets & Liabilities to UPCL has been treated as provisional.



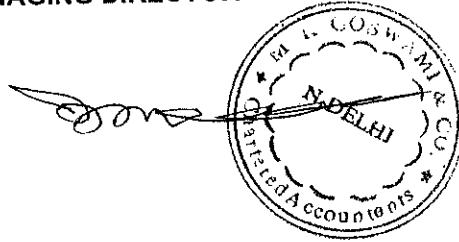
23. The actual valuation of Fixed Assets as received under transfer scheme dated 12/100/2003 is under process by UPCL & as and when Fixed Asset register is prepared the same will form the basis for valuation of Fixed Assets. Thus the valuation of said transferred Fixed Assets to UPCL has been treated as provisional.
24. Previous year figures have been regrouped and recasted, wherever necessary.

FOR & ON BEHALF OF BOARD


(J.M.LAL)
MANAGING DIRECTOR


(A.K.JOHRI)
DIRECTOR PROJECTS


(H.P.VYAS)
COMPANY SECRETARY





M. K. GOSWAMI & Co.
CHARTERED ACCOUNTANTS

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New Delhi-110 002
Ph. : 23275826, 23287408 Fax : 23274352
E-mail : mkgandco@ndb.vsnl.net.in
mkgandco@bol.net.in

AUDITOR'S REPORT

To The Members of Uttarakhand Power Corporation Ltd.(UPCL),Dehradun.

1. We have audited the attached Balance Sheet of Uttarakhand Power Corporation Ltd. (UPCL) for the year ended on 31st March, 2006 and the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies Auditors 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 hereto "Annexure" a statement made on the matters specified in paragraph 4 & 5 of the said order, as we considered appropriate.
4. Further to our comments in the "Annexure" in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of accounts as required by the law have been kept by the company so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches visited by us. The branch Auditor's Report has been forwarded to us and has been appropriately dealt with.



Attention is invited to the followings:

i) Refer Note No-20 (Notes on Accounts): It was informed to us that, after the division of State of Uttar Pradesh, the state of Uttarakhand came into existence and a separate corporation namely Uttarakhand Power Corporation Ltd. (UPCL) also came into existence. After the division, UPCL took over the commercial operation in the area comprising of Dehradun Zone and Nainital Zone (Haldwani Zone) of Uttar Pradesh Power Corporation Ltd (UPPCL). As per the notification of Govt. of India No.42/7/2000- R&R dated 05/11/2001, the Assets and Liabilities of the above zone were transferred to UPCL w.e.f 09/11/2001. As explained to us the Assets and Liabilities transferred above were accounted for on provisional basis as per the MOM (Transfer Scheme) dated 12/10/2003 and has not yet been notified by the Government.

ii) *The title deeds and lease agreement of land and rights were not produced before us for verification. Hence we are not in a position to comment upon the amortization of leasehold land. In fact we were informed by the management that the title deeds and lease agreements of the leasehold land and rights are not furnished/ handed over by the UP state authorities till date.*

Hence the consequential effect of the above on the financial statement could not be ascertained.

iii) *Non reconciliation of Inter Unit Balance f Rs.51,96 crores(Net Debit). Consequential effect of the same on the financial statements could not be ascertained for the want of information.*

iv) *No balance confirmations have been found obtained from the parties. Consequential effect of the same on the financial statements could not be ascertained for the want of information.*

v) *Schedule -6 "Fixed Assets": Balance as on 31/03/2006 under the head Vehicle has been shown negative (-) of Rs 101, 45,050.00. As explained to us, there is difference in the opening balances of fixed assets in earlier years which are yet to be reconciled by the company.*

Hence the consequential effect of the same on the financial statement could not be ascertained by us for want of information.

c) The Balance Sheet, Profit & Loss Account and the related schedules dealt with by this report are in agreement with the books of accounts.



d) In our opinion, the Balance Sheet, Profit & Loss Account, as produced before us for our verification, comply with the accounting standards referred to in Sub-Section (3C) of section 211 of the Companies Act, 1956 except the followings:

i) *Accounting Standard (AS) 6 "Depreciation Accounting".*

The depreciation has been provided as per the rates prescribed in Electricity Supply Act 1948 which overrides the provisions of AS 6. (Refer Notes on Accounts No.11 of Schedule 18)

ii) *Accounting Standard (AS) 12 "Accounting for Government Grant".*

Grant of Rs.421.56 crores received as on 31.03.2006 from State Govt towards Capital Work has been shown under "Reserve & Surplus" in the liability side of the Balance Sheet.

As stated in Accounting Policy No. 2 of Schedule 18, the grant received from the Central/State Govt. towards capital expenditure to be treated as Capital Reserve initially and recognized only on reasonable assurance from the Govt. and compliance to the condition attached thereto.

However no documentary evidences whatsoever were produced before us to verify the nature of grant and compliance to the conditions attached thereto. Hence, we express our inability to comment on whether the company has complied with the provisions of Accounting Standard 12 to recognize the grant or not.

iii) *Accounting Standard(AS) 15 "Accounting for Retirement Benefits"*

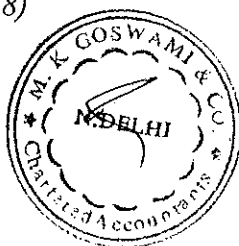
As per the information and explanations given to us, the company has not obtained any valuation report as required by AS 15 from an actuary for providing the liability towards the retirement benefit of the employees.

Significant Accounting Policies No 8 of Schedule 18 also requires that the liability towards retirement benefits should be provided on the basis of actuarial valuation.

However the company has not obtained any kind of report whatsoever from an actuary for providing the liability towards retirement benefits of the employees during the year.

iv) *Accounting Standard(AS)16: "Borrowing Cost"*

Interest has been capitalized on proportionate basis as prescribed in the Electricity (Supply) (Annual Accounts) Rules 1985 which overrides the provisions of AS 16. (Refer Significant Accounting Policies No.5 of Schedule 18)

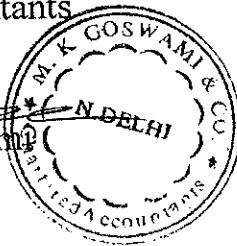


Consequential effect of non compliance of the above accounting standards on the financial statement could not be ascertained.

- e) *No written representations have been received by the company from the directors. However as explained to us by the company, none of the director is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section 274 of the companies Act 1956.*
- f) In our opinion and to the best of our information and according to the information and explanations given to us and with reference to *our comments above*, the said accounts read with the notes referred to in Schedule 18 annexed to the accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st march 2006 and,
 - ii) in the case of Profit and Loss Account, of the loss for the year ended on that date.
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For M. K. Goswami & Co.
Chartered Accountants

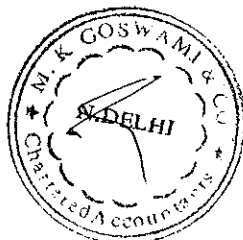
CA. M.K. Goswami
Partner



Place : New Delhi
Date : 23/12/2009

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT OF
UTTARAKHAND POWER CORPORATION LTD. FOR THE YEAR ENDED ON
31ST MARCH, 2006.**

- i) (a) No fixed assets register has been maintained by the company. As explained to us, the company is in the process of maintaining proper records for fixed assets register showing full particulars, including details and situation of fixed assets
- (b) According to information & explanations given to us, the management has physically verified all the assets during the year. *However the report on physical verification was not available for our verification.*
- (c) As explained to us, no substantial part of fixed assets have been disposed off during the year, However there were few fixed assets that have been disposed off during the year, but they did not affect the going concern.
- ii) (a) According to the information and explanations given to us, management has physically verified the inventory(transformers, line cables etc) during the year.
- (b) The procedure for physical verification followed by the management are reasonable and adequate in relation to the size of company and the nature of its business.
- (c) As explained to us, the company has maintained proper records of inventory and the discrepancies noticed during the physical verification were not material.
- iii) (a) According to the information and explanation given to us, the company has not granted or taken any loan, secured or unsecured to/from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As the company has not granted or taken any loans from parties covered U/s 301 of the Companies Act 1956, hence this clause is not applicable to the company.
- (c) As the company has not granted or taken any loans from parties covered U/s 301 of the Companies Act 1956, hence this clause is not applicable to the company.
- (d) As the company has not granted or taken any loans from parties covered U/s 301 of the Companies Act 1956, hence this clause is not applicable to the company.
- iv) In our opinion and according to the information and explanations given to us, the company has an adequate internal control procedure commensurate with the size of the company and nature of its business with regard to for the purchase of inventory, fixed assets and for the sale of electricity.
- v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into register maintained U/s 301 of the Companies Act 1956, have been so entered.



- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained U/s 301 of the Companies Act, 1956 have been made at the prices which are responsible having regard to prevailing market price at the relevant time.
- vi) According to the information and explanations given to us, the company has not accepted deposits from the public during the year except the security deposits received at the time of new connections.
- vii) As explained to us, the company has an in house Internal Audit Department commensurate with the size of the company and nature of its business.
- viii) According to the information and explanations given to us, the company maintained cost records pursuant to the Rules made by the Central Govt. for the maintenance of Cost records/s 209(1) (d) of the Companies Act, 1956.
- ix) (a) According to the information and explanations given to us, the company is regular in depositing the undisputed statutory dues with appropriate authorities including provident fund, employees state insurance, income tax, sale tax, custom duty, excise duty, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sale tax, custom duty and excise duty were in arrears as at 31st March 2006 for a period of more than six months from the date they become payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duties, wealth, excise duty and cess which have not been deposited on account of any dispute.
- x) *In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and also in the immediately preceding financial year.*
- xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security pledged shares, debentures and other securities. Hence this clause is not applicable to the company.
- xiii) The company is not a Chit Fund/Mutual Benefit Fund/Society to which the provisions of special statutes are applicable. Hence this clause is not applicable to the company.
- xiv) Since the company is not dealing or trading in shares, security, debentures and other investments. Hence this clause is not applicable to the company.

