

AUDITOR'S REPORT

To,
The Members,
Uttaranchal Power Corporation Ltd.,
Dehradun.

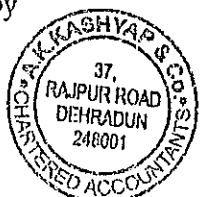
1. We have audited the attached Balance Sheet of Uttaranchal Power Corporation Ltd., for the year ending on 31st of March, 2005, the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies 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 I" a statement made on the matter specified in paragraphs 4 & 5 of the said order on the basis of such checks, as we considered appropriate.

2. Further to our comments in the Annexure referred to in paragraph 1 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 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 purposes 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).
- 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.
- e) We have not been given any declaration from the company that none of the directors are disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, referred to above, 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:
- 1) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2005.
 - 2) In the case of the profit and loss account, of the loss for the year ended on that date.

FOR A.K.KASHYAP & CO.
CHARTERED ACCOUNTANTS

(ASHOK KASHYAP)
FCA



PLACE: DEHRADUN
DATED: 05.01.2007.

**ANNEXURE I REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S
REPORT OF UTTARANCHAL POWER CORPORATION LIMITED FOR THE
PERIOD ENDED ON 31ST MARCH 2005.**

- i) (a) As per the information & explanation given to us, the corporation is in the process of maintaining proper records for fixed assets register showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information & explanations given to us the management during the year has physically verified all the assets.
- (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) As per the information & explanations given to us the management during the year has physically verified the inventory of the corporation.
- (b) The procedures of physical verifications of inventories followed by the management are reasonable and adequate in relation to the size of company and the nature of its business.
- (c) As per the information given to us the company has maintained proper records of inventory. We were explained that the discrepancies noticed on verification between physical stocks and the book records were not material.
- iii) (a) As per the information given to us the company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the registrar maintained under section 301 of the Act.
- (b) As the company has not granted or taken any loans from parties covered u/s 301, hence this point is not applicable.
- (c) As the company has not granted or taken any loans from parties covered u/s 301, hence this point is not applicable.
- (d) As the company has not granted or taken any loans from parties covered u/s 301, hence this point is not applicable.
- iv) In our opinion and according to the information given to us there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, with regard to for the purchase of inventory, fixed assets and for the sale of goods.



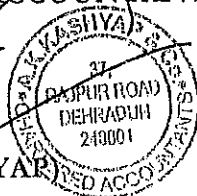
- v) (a) According to the information & explanation given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakh in respect of any party during the year have been made at the prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) As per the information given to us the company has not accepted deposits from the public.
- vii) In our opinion the company has an Internal Audit Department commensurate with its size and nature of its business.
- viii) As per the information & explanations given to us the company has maintained cost records pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956.
- ix) (a) According to the information & explanations given to us the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty were in arrears as at 31st March 2005 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, 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 the immediately preceding financial year.
- xi) According to the information & explanation given to us the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii) As explained to us the company has not granted any loans therefore this clause is not applicable.
- xiii) This clause is not applicable.



- xiv) This clause is not applicable.
- xv) According to the information given to us the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) According to the information given to us the company has been consistent in applying for the purpose for which the term loans were obtained.
- xvii) As explained to us the company has not used the funds raised on short-term basis for long term investment and vice versa
- xviii) The clause no. (xviii) is not applicable.
- xix) The clause no. (xix) is not applicable.
- xx) The clause no. (xx) is not applicable.
- xxi) According to the information and explanations given to us the company has not noticed any case of fraud during the year.

FOR A.K.KASHYAP & CO.
CHARTERED ACCOUNTANTS


(ASHOK KASHYAP)
FCA PARTNER



PLACE: DEHRADUN
DATED: 05.01.2007.

UTTARANCHAL POWER CORPORATION LTD.

BALANCE SHEET AS ON MARCH 31, 2005

Particulars	Schedule Ref.	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	50,000,000	50,000,000
Reserves and Surplus	2	4,907,739,915	3,471,651,877
Loan Funds			
Secured loans	3	3,107,111,397	3,191,734,517
Unsecured loans	4	6,759,334,856	5,519,533,845
Deffered Tax Liability (NET)		297,820,833	258,023,531
Deposits received from the Consumers for Electrification	5	671,294,678	531,670,338
TOTAL		15,793,301,679	13,022,614,108
APPLICATION OF FUNDS			
Fixed Assets	6		
Gross block		11,505,175,500	12,780,565,347
Depreciation		5,582,871,217	5,921,127,172
Net block		5,922,304,284	6,859,438,175
Capital Works-in-Progress	7	2,322,100,518	1,496,853,078
Current Assets, Loans and Advances			
Current Assets	8	14,593,681,994	14,619,449,328
Loans and Advances	9	2,674,799,455	378,723,085
Less: Current Liabilities and Provisions	10	12,344,381,382	11,234,034,314
Net Current Assets		4,924,100,067	3,764,138,099
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Profit and Loss Appropriation Account (Accumulated losses)		2,624,796,810	902,184,756
Total		15,793,301,679	13,022,614,108
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 A.K.KASHYAP & CO.

CHARTERED ACCOUNTANTS

(ASHOK KASHYAP)
F.C.A. PARTNER

(B.M.VERMA)
CHAIRMAN & M.D.

(T.PANDA)
DIRECTOR (FINANCE)

(H.P.VYAS)
COMPANY SECRETARY

DATED :

UTTARANCHAL POWER CORPORATION LTD.
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

Particulars	Schedule Ref.	Amount (In Rs.) Current Year	Amount (In Rs.) Previous Year
(A) Income			
Gross revenue from sale of electricity	11	7,575,669,947	7,500,396,946
Other Income	12	210,796,348	2,608,010,831
Total (A)		7,786,466,295	10,108,407,777
(B) Expenditure			
Purchase cost of electricity	13	5,733,890,393	5,855,353,977
Transmission and distribution	14	271,907,230	296,692,459
Personnel expenses	15	847,619,812	931,113,518
Administration expenditure	16	125,944,194	598,502,724
Interest and other financial charges	17	1,256,957,465	1,625,220,302
Depreciation	6	856,635,228	916,436,379
		9,092,954,322	10,223,319,359
(C) Provisions			
Provision For Bad & Doubtful Debts		376,326,725	379,630,000
Total (B) + (C)		9,469,281,047	10,602,949,359
Profit before Taxes (A) - (B + C)		(1,682,814,752)	(494,541,582)
Income tax		-	-
Wealth tax		-	-
Profit / (Loss) after taxes		(1,682,814,752)	(494,541,582)
Deferred Tax Liability		39,797,302	180,409,217
Transfer to Statutory reserves		-	-
Amount available for Appropriation		(1,722,612,054)	(674,950,799)
Less:			
Dividend		-	-
Transfer to Capital reserves		-	-
Amount carried to Balance sheet		(2,624,796,810)	(902,184,756)
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 A.K.KASHYAP & CO.
CHARTERED ACCOUNTANTS

(ASHOK KASHYAP)
F.C.A. PARTNER



DATED:

(B.M. VERMA)
CHAIRMAN & M.D.

(T. PANDA)
DIRECTOR (FINANCE)

(H.P. VIJAS)
COMPANY SECRETARY

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

Schedule 1 -- Share capital

Particulars	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
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 Rs.1000 paid 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 31-03-2004	Additions during the Year	Deductions during the Year	Amount (In Rs.) as at 31-03-2005
General reserves(Deferred Tax Asset Reserve)	34,056,793	-	-	34,056,793
Staff Pension ,Gratuity & Leave Salary Fund	172,548,567	58,198,321	102,016,296	128,730,592
Transitory reserve	9,657,000	-	-	9,657,000
Consumer Contribution from Service Connections & Lines	649,017,290	272,347,965	-	921,365,255
Contribution Towards Deposit Works	293,233,727	291,855,048	-	585,088,775
State Government Grants Towards Capital Works	2,313,138,500	915,703,000	-	3,228,841,500
Total	3,471,651,877	1,538,104,334	102,016,296	4,907,739,915



Schedule 3 -- Secured loans

S.NO.	PARTICULARS	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
1	R.E.C. LOANS-(Secured By Guarantee of Uttaranchal Govt.)	2,020,200,000	2,103,400,000
	AERP-(REC Loan)-(Secured By Guarantee of Uttaranchal Govt.)	609,265,100	-
2	R.E.C. LOANS-(New)(Secured By Guarantee of Uttaranchal Govt.)	-	483,828,200
3	NABARD	-	105,875,000
	Sub Total	2,629,465,100	2,693,103,200
	ADD : Interest Accrued & Due	477,646,297	498,631,317
	TOTAL	3,107,111,397	3,191,734,517

Schedule 4 -- UnSecured loans

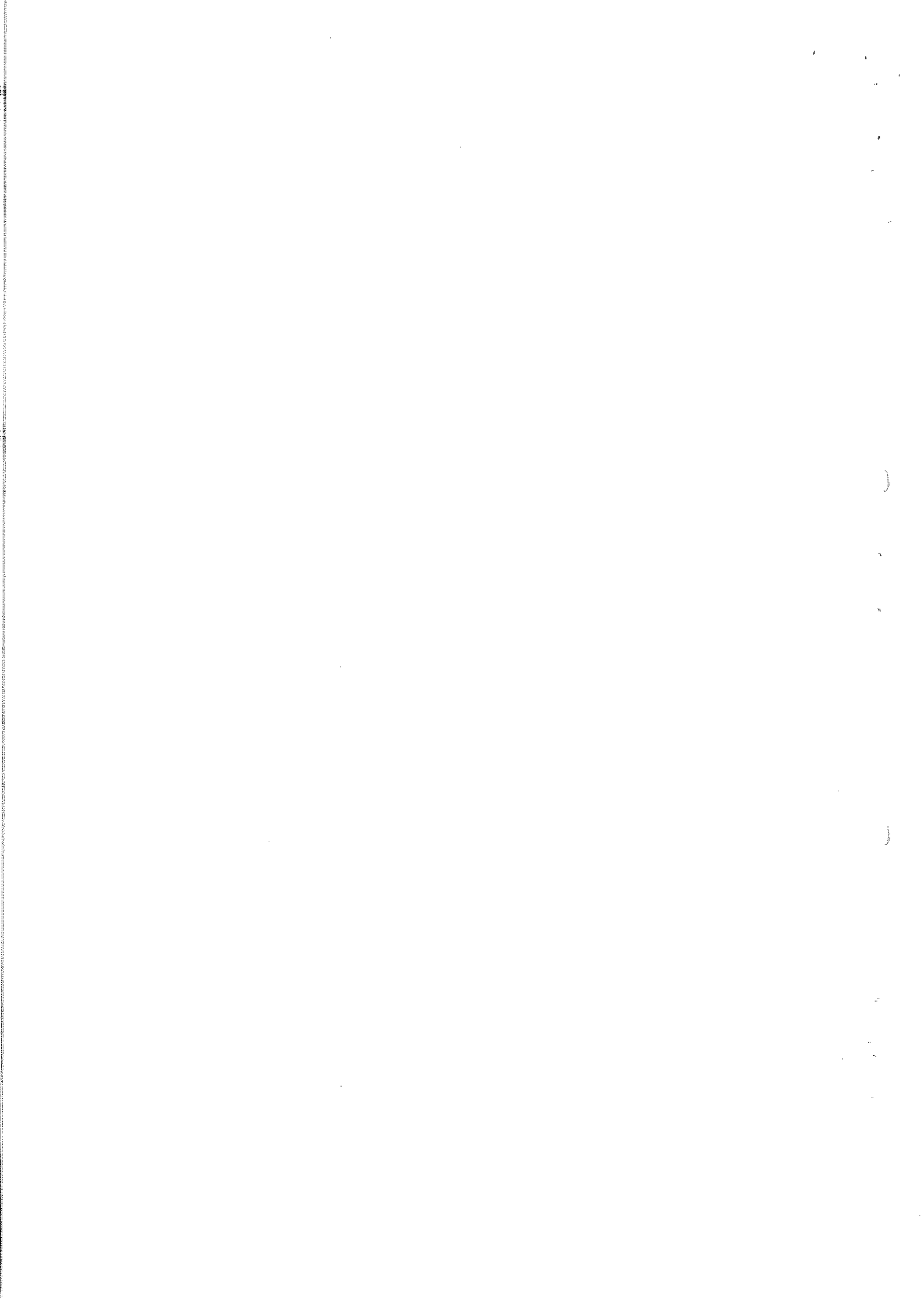
S.NO.	PARTICULARS	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
1	U.P. GOVERNMENT LOAN	677,324,295	677,324,295
2	G.P.F. LOAN	1,271,000,000	1,271,000,000
3	STATE GOVERNMENT LOANS :	1,212,115,505	1,144,451,500
	Sub Total	3,160,439,800	3,092,775,795
	ADD : Interest Accrued & Due	3,598,895,056	2,426,758,050
	TOTAL	6,759,334,856	5,519,533,845



Schedule 5 – Security Deposit received from consumers for electrification

S.NO.	Particulars	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
1	Security Deposit From Consumers	631,088,553	506,547,353
	Add : Interest accrued	40,206,125	25,122,985
	Total	671,294,678	531,670,338





Schedule 6 - Fixed Assets

Sl. NO.	Assets Group	Gross Block					Provision of Depreciation					Net Block as on 31.3.2005 (Rs.)	Net Block on 31.3.2004 (Rs.)
		Operating Bal. As on 1-04-2004 (Rs.)	Additions during the year (Rs.)	Deductions during the year (Rs.)	Transferred to PTCUL on Bifurcation	Current Year as on 31.03.05 (Rs.)	Operating Bal. As on 1-04-2004 (Rs.)	Additions during the year (Rs.)	Deductions during the year (Rs.)	Transferred to PTCUL on Bifurcation	Closing Bal. as on 31-03-05 (Rs.)		
1	2	3	4	5		6	7	8	9		10	11	12
1	Land and Rights	78536848	18247788	12878771	45865065	38040800	0	0	0	0	38040800	78536848	
2	Buildings	764704885	162928739	119557992	318425288	489650344	289477876	16734490	0	120482052	185730314	303920030	475227006
3	Hydraulic Works	3870584	33239	33239	189287	3681297	1769836	126237	0	84274	1811799	1869498	2100748
4	Other Civil Works	25234753	4536812	2907886	15886229	10977450	10173048	362286	0	6971170	3564164	7413286	15061705
5	Plant & Machinery	2624977779	993440733	820544360	1730776651	1067097501	1051701170	92853103	60699897	772614864	311239512	755857989	1573276605
6	Lines&Cable Network	9224851273	1662549694	541940275	513731118	9831729574	4534557637	734039530	4461899	220414339	5043720929	4788008645	4690293636
7	Vehicles	35945944	2633340	2914695	8091563	27573026	27600894	9753794	196137	8668867	28489684	-916658	8345050
8	Furniture and Fixtures	15982838	897677	124531	545250	16210734	3715266	1982985	3150	124607	5570494	10640240	12267572
9	Office Equipment	6460443	14248745	97904	396510	20214774	2131446	782803	0	169928	2744321	17470453	4328998
	TOTAL	12780563347	2859516767	1500999653	2633906961	11503175500	5921127773	856635238	65561083	1129530101	5582371212	5922104283	6859438175



Schedule 7 - Capital Works-in-Progress

SL. NO.	PARTICULARS	Balance as on 01.04.2004 (Rs.)	Additions during the year (Rs.)	Capitalization during the year (Rs.)	Transferred to State Govt. for PTCUL	Balance as on 31.03.05 (Rs.)
1	2	3	4	5	6	7
1	Capital Works-in-Progress	970,356,263	2,120,468,930	1,522,304,081	430,064,481	1,138,456,631
2	Revenue Expenditure pending allocation over Capital Works	207,100,000	116,300,000	-	-	323,400,000
3	Advances to Suppliers and Contractors	319,396,815	1,245,292,507	634,262,891	70,182,544	860,243,887
	TOTAL	1,496,853,078	3,472,061,437	2,156,566,972	500,247,025	2,322,100,518



Current assets, loans and advances

Schedule 8 – Current assets

Particulars	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
Stores and Spares (As Certified by the Management) :		
1. Stock Materials at Construction Stores	1,316,961,604	1,414,067,360
2. Stock Material at other Stores	179,261,250	224,019,189
3. Other Material Account	51,004,056	34,986,064
4. Material Stock Excess/Shortage-pending Investigation / Adjustment	2,058,775	2,104,218
	1,549,285,685	1,675,176,831
5. Less:-Provision for obsolete & Scrap Material	(145,200,000)	(145,200,000)
SUB TOTAL (A)	1,404,085,685	1,529,976,831
Sundry Debtors		
• Debts outstanding for a period exceeding six months		
- Considered good	7,051,699,521	6,368,421,482
- Considered doubtful	3,161,837,911	2,782,207,911
• Other debts		
- Considered good	250,442,481	608,725,455
- Considered doubtful	376,326,725	379,630,000
	10,840,306,638	10,138,984,848
Less:- Provision for Bad & Doubtful Debts	(3,538,164,636)	(3,161,837,911)
SUB TOTAL (B)	7,302,142,002	6,977,146,937
Cash & Bank Balances :		
Cash in hand	51,795,411	94,460,577
Cash in transit	171,093,180	114,543,739
Imprest with employees	-	471,197
Bank balances		
• With scheduled banks		
- In current account	2,201,817,208	1,542,123,877
- In Deposits account	3,462,748,508	4,360,726,170
SUB TOTAL (C)	5,887,454,307	6,112,325,560
TOTAL (A TO C)	14,593,681,994	14,619,449,328



Schedule 9 – Loans and advances

S.NO.	Particulars	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
1	Sundry Receivables	436,033,317	171,499,415
2	Advances recoverable in cash or kind for value to be received :		
	a) Advances for O&M Supplies/Works	17,213,696	19,156,882
	b) Loans & Advances to Staff	3,623,704	3,131,734
3	Inter Unit Transactions	329,788,425	184,935,054
4	Recoverable From State Govt. (On finalisation of transfer scheme of PTCUL)	1,888,140,313	-
	TOTAL	2,674,799,455	378,723,085



Current liabilities and provisions

Schedule 10 – Current liabilities

S.No.	Particulars	Amount (in Rs.) as at 31-03-2005	Amount (in Rs.) as at 31-03-2004
1	SUNDRY CREDITORS :		
	-For Power Purchase	8,378,622,788	8,436,014,160
	-For Capital Supplies/Works	108,102,076	218,017,537
	-For O&M Supplies/Works	24,302,578	24,072,781
	-For Expenses	18,641,533	18,626,491
	-For Inter Unit Transfers	-	671,791
2	Staff Related Liabilities & Provisions	390,783,618	245,668,008
3	Deposits for Electrification, Service Connections etc.	748,253,245	223,738,586
4	Deposits & Retention Money from supplier / contractors	90,289,708	53,734,198
5	Other Deposits Payable	125,409,864	1,598,865
6	E.D. & Other levies Payable To Government	210,595,658	216,760,374
7	Other Liabilities & Provisions	2,139,622,892	1,795,131,523
8	Payable to PTCUL (Transfer of Assests/Liabilities)	109,757,422	-
	TOTAL	12,344,381,382	11,234,034,314



Schedule 11 – Gross revenue from sale of electricity

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Revenue from Sale of Power to Consumers	7,354,441,302	7,295,839,501
Meter rent/ service line rental	147,608,231	149,930,553
Miscellaneous charges from Consumers	73,620,414	54,626,892
Total	7,575,669,947	7,500,396,946



Schedule 12 – Other income

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Interest	42,573,588	308,655,947
Power Trading Receipts	52,380,000	2,166,229,182
Delayed payment charges from Consumers	25,684,494	14,395,087
Miscellaneous Receipts	16,139,211	22,090,116
Income from Staff Welfare Activities	497,752	984,408
Rebate/Incentives	73,521,303	95,656,091
Total	210,796,348	2,608,010,831



Schedule 13 – Purchase Cost of Electricity

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
UJVNL	2,366,802,938	2,290,426,629
NRLDC	124,345,540	12,624,793
NTPC	2,971,349,007	2,789,315,627
NHPC (Including Cost of Free Power)	408,732,984	582,063,094
NPCL	241,773,178	253,529,323
UREDA	217,127	
UPPCL- Reactive Charges	7,077,460	-
M/s Him Urja Pvt. Ltd.	63,368,725	68,413,372
Total Purchase cost of Electricity	6,183,666,959	5,996,372,838
PGCIL -(Wheeling Charges)	246,537,149	327,702,095
PTCUL -(Wheeling Charges)	239,900,000	-
Total Cost (Including Transmission Charges)	6,670,104,108	6,324,074,933
LESS : U.I. Charges received from NREB	(936,213,715)	(468,720,956)
Net Cost	5,733,890,393	5,855,353,977



Schedule 14 – Transmission and distribution expenses

Particulars	Amount (in Rs.)	Amount (in Rs.)
	Current Year	Previous Year
Repairs and maintenance – Plant and machinery	128,252,202	160,632,537
Repairs and maintenance – Building & Civil Works	18,306,680	19,150,496
Repairs and maintenance – Lines, cables works, etc.	125,194,134	116,605,651
Repairs and Maintenance – Others	154,214	303,775
Total	271,907,230	296,692,459



Schedule 15 – Personnel Expenses

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Managerial Remuneration-Directors	1,742,381	2,188,871
Salaries, wages, allowances and bonus(including Directors Remuneration)	780,608,549	838,384,201
Terminal Benefits	174,712,338	276,759,889
Other staff costs	65,195,981	62,807,863
Less: Employee cost charged to Capital WIP	(174,639,437)	(249,027,306)
Total	847,619,812	931,113,518



Schedule 16 – Administration expenditure

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Rent, rates and taxes	2,423,460	2,379,401
Electricity and water	20,059,347	22,165,688
Insurance	584,170	555,722
Communication	11,468,439	10,022,457
Printing and stationery	11,032,891	7,324,266
Travelling and conveyance	25,679,851	24,388,955
Legal & professional	14,102,969	18,319,269
Remuneration to auditors	108,792	254,678
Share of State Govt.in Trading	-	495,958,113
Advertisement and promotion	9,702,753	6,738,965
Miscellaneous Expenses	13,110,263	19,568,738
Entertainment expenses	847,683	27,980
Compensation expenses to staff/outsideers	1,456,702	775,410
U.E.R.C. Fees	30,615,200	30,220,433
Less: Administrative expenses charged to Capital WIP	(15,248,326)	(40,197,351)
Total	125,944,194	598,502,724



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	23,188,377	139,480,226
Interest on State Govt.Loans	134,150,958	193,459,533
Interest on Other Loans & Liabilities	1,157,252,193	1,292,131,457
Interest on Consumers Security Deposit	17,064,543	14,300,244
Guarantee Fees to U.A.Govt.	41,242,360	82,484,720
Other financial and bank charges	359,034	364,122
Less: Interest and other financial charges charged to Capital WIP	(116,300,000)	(97,000,000)
Total	1,256,957,465	1,625,220,302



UTTARANCHAL POWER CORPORATION LIMITED

SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

- 1.1 The Uttaranchal 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), 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 initially Capital Reserve.
- 2.2 Government Grants/Subsidies are recognized only on reasonable assurance of their through 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 devalued 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 proportion 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 Uttaranchal 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. EXPENDTURE

- 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 in an overall assessment of the debtors.

NOTES ON ACCOUNTS:

- 1. Annual Accounts for the period 2004-05 have been prepared after incorporating the transactions for the year 2004-05 in the Opening Balances of Assets and Liabilities as on 31-03-2004.

2. The Uttaranchal Power Corporation Limited received Equity Share Capital amounting to Rs. 5 Crores from the Government of Uttaranchal during the year 2001-02. Allotment of shares against the same has been made. No further Equity was added in 2004-05.
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 @ 3% as per practice followed in U. P. Power Corporation Limited.
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 2004-05. 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 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 2004-05.
5. Provision for Accrued Liabilities on account of Pension and Gratuity for the period from 01-04-2004 to 31-03-2005 has not been made @ 16.70% and 2.38% respectively on the amount of Basic Pay and D.A. paid to employees in the year as the same is being paid by state government.
6. The provision for Bad and Doubtful Debts for the period under Review has been made @ 5% on overall assessment of the year.
7. Provision has been made for Audit Expenses to Auditors for the period 2004-05 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
8. Liabilities towards Staff Training, Medical Reimbursement & Leave Travel Concession (LTC) has been provided to the extent established.
9. The Depreciation has been provided at the Corporate Accounts Office on the value of Fixed Assets in use as on 01-04-2003 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.
10. Inter-Units Transfers amounting to Rs. 39.98 Crores (net) are under reconciliation and the effect of reconciliation shall be provided in the coming years.
11. 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.

13. 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- Rs40,50,62,069, REC Loans- Rs. 47,88,69,632, CPSU's. Dues (as per Ahluwalia Report)- 182,93,96,730, CPSUs Liabilities- Rs.31,32,15,305 & 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. 98,95,89,183.
14. Interest Payable on Loans from Bank has been accounted for as and when debited by the Bank.
15. Interest received on Fixed Deposits with Bank and others has been accounted for on Accrual basis.
16. 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.
17. 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.
18. The Loans, other than REC Loan for Rs. 13,942.36 Lacs, Guaranteed by the Government of Uttaranchal, have been classified as Secured Loans and no charge has been created on the Assets of the Company.
19. Provision for Leave Salary Contribution Fund in the current year has been provided @ 11% of basic pay.
20. Previous year figures have been regrouped and recasted, wherever necessary.
21. Transfer Of Assets / Liabilities relating to Transmission Business : In pursuance of notification of Govt.Of Uttaranchal No.87, dated 31/05/04, the Assets & Liabilities of the Company relating to Transmission of Electricity & State Load Dispatch Centre function therein have been transferred to & vested in the State Government on 31/05/04. Consequently, the balances of Assets & Liabilities as of 01/06/04 have been considered as opening balances for preparation of financial statements, i.e., Profit & Loss account for the period 01-04-04 to 31-05-04 (for both Distribution & Transmission Business) and for the period 01-06-04 to 31-03-05 (for Distribution Business only) and Balance Sheet as of 31-03-05.

FOR & ON BEHALF OF BOARD

(B.M.VERMA)	(T.PANDA)	(H.P.VYAS)
CHAIRMAN & M.D.	DIRECTOR (FINANCE)	COMPANY SECRETARY

Uttaranchal Power Corporation Limited

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

I. Registration Details

Registration No.

State Code

Balance Sheet Date

Date Month Year

II. Capital raised during the year (Amount In Rs. Thousands)

Public Issue

Bonus Issue

Rights Issue

Private Placements

III. Position of mobilisation and Deployment of Funds (Amount In Rs.Thousands)

Total Liabilities

Total Assets

Sources of Funds:

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability (Net)

Application of Funds:

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

IV. Performance of the Company (Amount In Rs. Thousands)

Turnover (Total Income)

Total Expenditure

(+) (-) Profit & Loss(Before Tax)

(+) (-) Profit & Loss(After Tax)

Please tick appropriate box (+ for Profit - for loss)

Earnings per Share in Rupees (Rs.)

(on profit after taxes)

(on distributable profits)

Dividend Rate (%)

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code Nos. (ITC Codes)

Product Descriptions



