

AUDITOR'S REPORT UNDER SECTION 619(3)(a) OF THE COMPANIES ACT, 1956
M/S UTTARANCHAL POWER CORPORATION LTD., DEHRADUN, FOR THE YEAR
ENDING 31st MARCH 2004

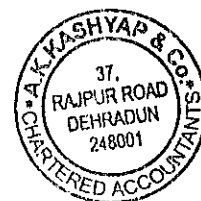
I	<u>SYSTEM OF ACCOUNTS:</u>	
1.	Examine the following systems and give your view as regards their deficiencies alongwith suggestions for remedial measures: -	
a)	Recording of receipts and expenditure.	The receipts and expenditure have been properly recorded.
b)	Drawing periodical Trial Balance.	The Trial Balance has been prepared on monthly basis.
c)	Compilation of account.	Balance sheet and Profit & loss account along with the Monthly Trial Balances have been properly compiled. However delay has been noticed in sending accounts by divisional office/units to zonal office.
d)	Recording procurement and disposal of stores.	As explained to us, the procurement is done on weighted average cost & issues are made at standard fixed rate.
e)	Reconciliation of inter-office accounts.	As explained to us broad sheets of inter unit transfers are maintained at Zonal level as well as Head office level, in respect of transfers between Zones & outside Zones respectively. However there are very old outstanding Inter units balances standing in the Balance Sheet, involving a substantial amount, which should have been reconciled.
2.	Indicate whether expenditure during construction period is appropriately accounted for with proper allocation between capital and revenue expenditure?	Yes
3.	Are the bank accounts of the company reconciled with the bank statements regularly? If not, describe the failures.	Yes, but except for few of the units where various old outstanding have been carried forward.
4.	Are control accounts and subsidiary accounts upto date and reconciled regularly. If not, describe the failures.	The control accounts and the subsidiary accounts are maintained at the Division office levels that are up-to-date and reconciled regularly.
5.	Examine the accounting policies of the Company. Are these in conformity with the	The accounting policies of the company are generally in conformity with the accounting

	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, alongwith their effects on the financial statements; quantify the impact wherever possible.	standards.
II	<u>SYSTEM OF FINANCIAL CONTROL:</u>	
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 powers is generally within the limits.
2.	Indicate whether the credit obtained (including overdrafts) from banks were necessary and monitored regularly?	Not Applicable
III	<u>ASSETS AND INVESTMENTS:</u>	
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 explained to us the dates of commissioning/ installation of transformers/laying of cables fixed by chief engineer for transfer from Capital Work in Progress to Fixed Assets is done on quarterly basis.
2.	Indicate whether the property and assets registers are posted upto date and are reconciled with the financial books?	We were explained that the company is in the process of maintaining fixed asset register. As explained to us the procedure followed for this is in conformity for reconciliation with financial books.
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, except in the case of cheques received from the customers which get dishonored and are outstanding, as verified from the dishonored cheque register. No suitable explanation as to their recovery, whether timely or not, was given to us. There were huge outstanding balances noticed against few parties.
4.	Indicate whether the cash and imprest balances were physically verified during the year on a regular basis by an authorised officer? Highlight the inadequacies in this regard, if any.	Yes, on monthly basis.

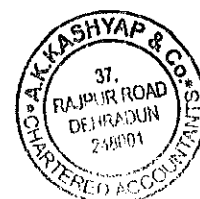
5.	Indicate whether the Company has laid down an investment policy? If yes, please indicate the following: -	There is no investment policy.
a)	Authority which approved the policy	---
b)	Is it in accordance with the laws, rules and regulations applicable to the Company?	---
c)	In your opinion, are there any defects in the policy?	---
d)	Has the Company followed it in cases of all material investments made during the year?	---
e)	Were the investments made by the company in its best interest?	---
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.	---
6.	Indicate whether the deposits 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.	Yes, as per the information provided to us.
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 system is followed.
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 amount 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 segments 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?	Only Unit wise Trial Balance has been prepared and no unit wise profit & loss a/c has been prepared. It would be in the interest of the company to prepare segment (unit) wise profit & loss statement to depict an overall true & fair view of the accounts.
VI	<u>INVENTORY AND CONTRACTING:</u>	
1.	Examine whether the Company has prescribed the following in regard to the management of stores: -	Not applicable.
a)	Maximum and minimum limits of stores and spares etc.	
b)	Economic order quantity for procurement of stores.	
2.	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 which advances?	Yes
3.	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?	Not applicable

VII	<u>COSTING:</u>	
1.	Does the Company prepare cost accounts and reconcile them with financial accounts?	Not applicable as the company is not a manufacturing company.
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.	--As above--
3.	Indicate whether the company has an effective system for identification of idle labour-hours and idle machine -hours?	--As above--
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.	--As above--
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?	--As above--
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?	In our opinion and according to the information given to us there is an adequate internal audit system commensurate with the size of the company and the nature of its business. As informed to us, internal audit is being carried out by the Deputy Director (Internal audit).
2.	Does the Company have a system of reporting serious / major irregularities reflected in the Internal Audit Reports to the Board of Directors.	As explained to us the major irregularities found in the internal audits are reported 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 discuss and remove the irregularities.




X	<u>ADDITIONAL DIRECTIONS:</u>	
	<u>'Part A'</u>	
	(Applicable for audit of Trading Companies including Food Corporation of India)	----- NOT APPLICABLE -----
1.	Indicate whether the Company has devised proper system for: -	---
a)	Specifying the quality of goods intended to be purchased/ processed.	---
b)	Inspecting the goods after purchase/ procurement to see that they conform to the specified quality.	---
c)	Periodical inspection of the goods in stock to safeguard against deterioration and other losses.	---
d)	Safe storage of the goods.	---
e)	Indicate significant instances where the company has not followed the system and has, therefore suffered losses (quantify loss in each case).	---
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 realised there against.	---
3.	Indicate the adequacy of the system of accounting for 'return inward'.	---



	'Part B'	
	(Applicable for audit of Company engaged in Financing)	----- NOT APPLICABLE -----
1.	Has the Company laid down a procedure for appraisal of loan applications? Is the procedure adequate?	---
2.	Indicate whether the loans advanced by the company during the year are in conformity with the relevant Act, Rules, Orders and Directions of the Government/ Reserve Bank Of India?	---
3.	Has the company taken adequate steps against defaulters during the year? If not, indicate significant instances of company's failures.	---
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?	---
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?	---
	Note: Directions in respect of Insurance Companies are under revision and shall be issued separately.	

PLACE: DEHRADUN
 DATED: 29.11.2005

FOR A. K. KASHYAP & CO.,
 CHARTERED ACCOUNTANTS


[ASHOK KASHYAP]
 F.C.A. PARTNER

ANNEXURE: -		
(This information is factual and should be obtained from the Management)		
1.	Indicate the areas where the Company has computerised the accounts system. Have the General and Application controls been reviewed periodically to derive assurance that the system is producing results that can be relied upon by the auditors? State the deficiencies reported by the internal auditors / statutory auditors' alongwith the remedial measures being taken by the management.	<p>The company is having partly computerised system of accounts.</p> <p>Some of the units that deal in revenue are computerized.</p> <p>Consolidation of accounts prepared at zonal level and head office level is computerized.</p>
2.	Indicate whether the shares of the company are quoted in the market? If so, give the following information: -	Not Applicable
a)	Lowest and highest quotations during the year.	---
b)	If shares have not been traded during the year, mention the date when they were last quoted in the market alongwith the amount of quotation.	---
3.	Indicate the break-up of the equity share capital held at the end of the financial year by: -	
a)	Govt. of India and Govt. of states.	100% shares are held by State Government of Uttaranchal
b)	Indian Banks and Financial Institutions.	---
c)	Foreign Banks and Foreign Companies/ Institutions.	---
d)	Public in India and/ or outside.	---
4.	Is the Company facing any legal action on account of default in repayment of debts? If so, give brief description.	No
5.	Are the accounts of the company in arrears? If so state the reasons therefor and the action taken/ being taken to bring the accounts up-to-date.	No
6.	Is any product in which the company deals subjected to statutory or other price control? If so, list the products and nature of control.	Yes. The company is engaged in distribution of electricity, the rates of which are being fixed by the Uttaranchal Electricity Regulatory Commission.
7.	Does the Company remit royalty or other payments to collaborations or others abroad or make inter-company transfers abroad? If so, give details.	No



8.	Manufacturing and Production account:	Not Applicable
a)	Indicate whether the company has entered into a Memorandum of Understanding with its Administrative Ministry? If yes, have the targets in MOU been split unit wise? If so, attach unit-wise statement of targets and achievements against the parameters in MOU.	---
b)	Does the company present a case for energy audit? If yes, has the audit been conducted by a specialized agency?	---
c)	Has the company provided anti-pollution devices for guarding against pollution of land, water and air? Has the company taken up any measure to repair environment degradation caused by it? If not, describe significant failures pointed out by internal auditors / statutory agencies alongwith the remedial measures being taken by the management.	---
d)	Has the company or any other authority fixed norms for losses/ wastages for (i) raw materials for manufacture of major products, (ii) in storage, transit etc.? When were these norms last reviewed? Do the norms require revision?	---
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 spares) finished goods? What is the age-wise analyses (upto two years, two to three years, three to four years, four to five years and over five years) of such items?	As per the explanation given to us the stores department monitors the segregation between obsolete and non-obsolete raw materials, stores & spares but no report for this was provided to us. As we were not provided by the report we are unable to comment on the age-wise analysis.
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 the each period showing the amount of interest, penalty etc.	No
11.	Indicate the percentage of rejections to Production/ Sales at the end of last three years giving comparative norms/ standards set 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 indicated.	As explained to us the manpower is employed in accordance with the norms of the company.

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?	Yes and the company has an adequate system for monitoring & adjusting the advances.
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UTTARANCHAL POWER CORPORATION LIMITED

BALANCE SHEET AS ON MARCH 31, 2004

Particulars	Schedule Ref.	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	50,000,000	50,000,000
Reserves and Surplus			
-Reserves and Surplus	2	562,783,091	193,668,408
-Contributions, Grants and Subsidies	3	2,897,201,786	1,860,318,592
Loan Funds			
Secured loans	4	3,191,734,517	2,875,529,743
Unsecured loans	5	5,531,200,845	4,516,267,616
Deffered Tax Liability (NET)-Refer to Note No.20.		258,023,531	77,614,314
Deposits received from the Consumers for Electrification	6	531,670,338	460,149,966
TOTAL		13,022,614,108	10,033,548,639

APPLICATION OF FUNDS

Fixed Assets	7		
Gross block		12,780,565,347	11,628,823,002
Depreciation		5,921,127,172	5,084,273,479
Net block		6,859,438,175	6,544,549,523
Capital Works-in-Progress	8	1,496,853,078	757,714,622
Current Assets, Loans and Advances			
Current Assets	9	14,619,449,328	12,207,308,616
Loans and Advances	10	378,723,085	589,117,473
Less: Current Liabilities and Provisions	11	11,234,034,314	10,292,375,552
Net Current Assets		3,764,138,099	2,504,050,537
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Profit and Loss Appropriation Account (Accumulated losses)		902,184,756	227,233,957
Total		13,022,614,108	10,033,548,639
Significant Accounting Policies and Notes to Accounts	19	-	-

" SCHEDULE 1 TO 19 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 29 NOV 2005

FOR & ON BEHALF OF BOARD

(S.P.S.RAGHAV)
CHAIRMAN & M.D.

(T.PANDA)
DIRECTOR (FINANCE)

(J.P.VYAS)
COMPANY SECRETARY

UTTARANCHAL POWER CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

Particulars	Schedule Ref.	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
(A) Income			
Gross revenue from sale of electricity	12	9,666,626,128	9,169,395,848
Other Income	13	441,781,649	419,843,155
Total (A)		10,108,407,777	9,589,239,003
(B) Expenditure			
Purchase cost of electricity	14	5,855,353,977	4,723,509,974
Transmission and distribution expenses	15	296,692,459	245,586,080
Personnel expenses	16	931,113,518	1,033,553,261
Administration expenditure	17	598,502,724	666,843,173
Interest and other financial charges	18	1,625,220,302	1,600,795,077
Depreciation	7	916,436,379	853,650,025
		10,223,319,359	9,123,937,590
(C) Provisions			
Provision For Bad & Doubtful Debts		379,630,000	341,160,000
Total (B) + (C)		10,602,949,359	9,465,097,590
Profit before Taxes (A) - (B + C)		(494,541,582)	124,141,413
Income tax		-	-
Wealth tax		-	-
Profit / (Loss) after taxes		(494,541,582)	124,141,413
Transfer to Statutory reserves			-
Amount available for Appropriation		(494,541,582)	124,141,413
Carried down			

" SCHEDULE 1 TO 19 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
RAJPOUR ROAD
DEHRADUN
248001
CHARTERED ACCOUNTANTS

(S.P.S.RAGHAV)
CHAIRMAN & M.D.

(T.PANDA)
DIRECTOR (FINANCE)

FOR & ON BEHALF OF BOARD

(H.P.VYAS)
COMPANY SECRETARY

DATED : 29 NOV 2005

UTTARANCHAL POWER CORPORATION LTD.

**PROFIT & LOSS APPROPRIATION ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2004**

Particulars	Schedule Ref.	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Amount available for appropriation as per current years profit and Loss brought /forward		(494,541,582)	124,141,413
Less:			
Dividend		-	-
Transfer to Capital reserves		-	-
Transfer to Deferred Tax Liability		180,409,217	111,671,107
		(902,184,756)	(227,233,957)
Amount carried to Balance sheet			
Significant Accounting Policies and Notes to Accounts	19		

" SCHEDULE 1 TO 19 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
RAIPUR ROAD
DEHRADUN
248001

(S.P.S.RAGHAV)
CHAIRMAN & M.D.

(T.PANDA)
DIRECTOR (FINANCE)

FOR & ON BEHALF OF BOARD

(H.R.VYAS)
COMPANY SECRETARY

DATED: 29 NOV 2005

UTTARANCHAL POWER CORPORATION LIMITED

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

Schedule 1 – Share capital

Particulars	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
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



UTTARANCHAL POWER CORPORATION LIMITED

Schedule 2 – Reserves and Surplus

Particulars	Amount (in Rs.)			
	Opening balance as at 01-04-2003	Additions	Reduction	Closing balance as at 31-03-2004
Reserves				
General reserves(Deffered Tax Asset Resereve)	34,056,793	-	-	34,056,793
Profit and Loss account	-	-	-	-
Cost Variance Reserve	153,169,293	193,354,438	3,000	346,520,731
Staff Pension & Gratuity Fund	-	166,096,467	-	166,096,467
Transitory Contingency Reserve	-	9,657,000	-	9,657,000
Leave Salary Contribution Fund	6,442,322	9,778	-	6,452,100
Total	193,668,408	369,117,683	3,000	562,783,091



UTTARANCHAL POWER CORPORATION LIMITED
Schedule 3 – Contributions, Grants and Subsidies towards Cost of Capital Assets

S.NO.	Particulars	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
1	Consumer Contribution from Service Connections	222,864,915	174,548,132
2	Contribution Towards Deposit Works	293,233,727	202,979,890
3	System Loading Charges	68,836,425	40,597,450
4	Processing Charges	10,795,219	5,593,620
5	State Government Grants Towards Capital Works :		
	a) REC	72,405,500	72,405,500
	b) Kumbh Mela Vikas Pradhikaran	131,472,000	10,000,000
	c) APDRP	1,595,670,000	920,670,000
	d) MNP	30,190,000	30,190,000
	e) PMGY	182,855,000	146,955,000
	f) Government / Others	288,879,000	256,379,000
	Total	2,897,201,786	1,860,318,592



UTTARANCHAL POWER CORPORATION LIMITED

Schedule 4 – Secured loans

S.NO.	PARTICULARS	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
1	R.E.C. LOANS-(Secured By Guarantee of Uttaranchal Govt.)	2,103,400,000	2,382,247,200
2	I.D.B.I. LOAN	-	89,326,091
3	P.F.C. LOAN	-	34,999,385
4	C.B.I. LOAN	-	102,368,105
5	HDFC LOAN	-	2,240,813
6	R.E.C. LOANS-(New)(Secured By Guarantee of Uttaranchal Govt.)	483,828,200	-
7	NABARD	105,875,000	-
	Sub Total	2,693,103,200	2,611,181,594
	ADD : Interest Accrued & Due	498,631,317	264,348,149
	TOTAL	3,191,734,517	2,875,529,743

Schedule 5 – UnSecured loans

S.NO.	PARTICULARS	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
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 :	1,156,118,500	1,149,160,000
	Sub Total	3,104,442,795	3,097,484,295
	ADD : Interest Accrued & Due	2,426,758,050	1,418,783,321
	TOTAL	5,531,200,845	4,516,267,616

Schedule 6 – Security Deposit received from consumers for electrification

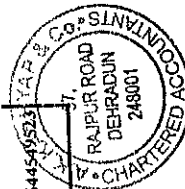
S.NO.	Particulars	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
1	Security Deposit From Consumers	506,547,353	446,802,215
	Add : Interest accrued	25,122,985	13,347,751
	Total	531,670,338	460,149,966



UTTARANCHAL POWER CORPORATION LIMITED

Schedule 7 - Fixed Assets

SL. NO.	Assets Group	Gross Block				Provision of Depreciation				Net Block as on 31.3.2004	Net Block as on 31.3.2003
		Opening Bal. As on 1-04-2003	Additions during the year	Deductions during the year	Current Year as on 31.03.04	Opening Bal. As on 1-04-2003	Additions during the year	Deductions during the year	Closing Bal. as on 31-03-04		
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
1	2	3	4	5	6	7	8	9	10	11	12
1	Land and Rights	44797650	33739198	0	78536848	0	0	0	0	78536848	44797650
2	Buildings	693095484	71609401	0	764704885	266169165	23308711	0	289477876	475227009	426926319
3	Hydraulic Works	3862887	7697	0	3870584	1638498	131338	0	1769836	2100748	2224389
4	Other Civil Works	22729834	2504919	0	25234753	9486607	686441	0	10173048	15061705	13243227
5	Plant & Machinery	2364166545	556377779	295366545	2624977779	938627938	185457468	72384236	1051701170	1573276609	142538607
6	Lines&Cable Network	8449456118	798465763	23070608	9224851273	3848424682	693241337	7108382	4534557637	4690293636	4601031436
7	Vehicles	34584802	1461432	100290	35945944	16139638	11551324	90068	27600894	8343050	18445164
8	Furniture and Fixtures	11479389	4514149	10700	15982838	2249348	1465918	0	3715266	12267572	9230041
9	Office Equipment	4650293	1810150	0	6460443	1537603	593842	0	2131445	4328998	3112690
	TOTAL	11028823062	1470490488	518748143	12780565347	5084273479	916436379	79582686	5921127172	6859438175	6544549523



UTTARANCHAL POWER CORPORATION LIMITED

Schedule 8 - Capital Works-in-Progress

SL NO.	PARTICULARS	Balance as on 01.04.2003 (Rs.)	Additions during the year (Rs.)	Capatitalization during the year (Rs.)	Adjustment during the year (Rs.)	Balance as on 31.03.04 (Rs.)
1	2	3	4	5	6	7
1	Capital Works-in-Progress	543,411,020	1,870,878,139	1,470,490,489	(26,557,593)	970,356,263
2	Revenue Expenditure pending allocation over Capital Works	110,100,000	97,000,000	-	-	207,100,000
3	Advances to Suppliers and Contrators	104,203,602	323,519,075	-	108,325,862	319,396,815
	TOTAL	757,714,622	2,291,397,214	1,470,490,489	81,768,269	1,496,853,078



UTTARANCHAL POWER CORPORATION LIMITED

Current Assets, Loans & Advances

Schedule 9 – Current Assets

Particulars	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
Stores and Spares (As Certified by the Management) :		
1. Stock Materials at Construction Stores	1,414,067,360	776,673,935
2. Stock Material at other Stores	224,019,189	95,271,726
3. Other Material Account	34,986,064	23,378,509
4. Material Stock Excess/Shortage-pending Investigation / Adjustment	2,104,218	2,195,420
	1,675,176,831	897,519,590
5. Less:-Provision for obsolete & scrap material	(145,200,000)	(145,200,000)
SUB TOTAL (A)	1,529,976,831	752,319,590
Sundry Debtors		
• Debts outstanding for a period exceeding six months	6,368,421,482	
- Considered good	2,782,207,911	
- Considered doubtful		
• Other debts	608,725,455	5,465,690,058
- Considered good	379,630,000	2,782,207,911
- Considered doubtful		
	10,138,984,848	8,247,897,969
Less:- Provision for Bad & Doubtful Debts	(3,161,837,911)	(2,782,207,911)
SUB TOTAL (B)	6,977,146,937	5,465,690,058
Cash & Bank Balances :		
Cash in hand	94,460,577	412,823,035
Cash in transit	114,543,739	64,463,020
Imprest with employees	471,197	767,880
Bank balances		
• With scheduled banks	1,542,123,877	801,285,787
- In current account	4,360,726,170	4,709,959,246
- In deposits account		
SUB TOTAL (C)	6,112,325,560	5,989,298,968
TOTAL (A TO C)	14,619,449,328	12,207,308,616



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UTTARANCHAL POWER CORPORATION LIMITED

Schedule 10 – Loans and advances

S.NO.	Particulars	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
1	Sundry Receivables	171,499,415	417,322,345
2	Advances recoverable in cash or kind for value to be received :		
	a) Advances for O&M Supplies/Works	19,156,882	12,849,396
	b) Loans & Advances to Staff	3,131,734	2,191,187
3	Inter Unit Transactions	184,935,054	156,754,545
	TOTAL	378,723,085	589,117,473

Current liabilities and provisions

Schedule 11 – Current liabilities

S.No.	Particulars	Amount (in Rs.) as at 31-03-2004	Amount (in Rs.) as at 31-03-2003
1	SUNDRY CREDITORS :		
	-For Power Purchase	8,436,014,160	8,314,206,843
	-For Capital Supplies/Works	218,017,537	147,238,821
	-For O&M Supplies/Works	24,072,781	21,802,357
	-For Expenses	18,626,491	18,599,331
	-For Inter Unit Transfers	671,791	2,841,525
2	Staff Related Liabilities & Provisions	245,668,008	86,313,871
3	Deposits for Electrification, Service Connections etc.	223,738,586	234,227,689
4	Deposits & Retention Money from supplier / contractors	53,734,198	34,835,359
5	Other Deposits Payable	1,598,865	740,580
6	State Government Dues	216,760,374	172,713,877
7	Other Liabilities & Provisions	1,795,131,523	1,258,855,299
	TOTAL	11,234,034,314	10,292,375,552



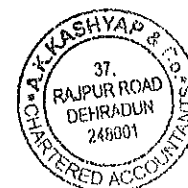
UTTARANCHAL POWER CORPORATION LIMITED

Schedule 12 – Gross Revenue from Sale of Electricity

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Revenue from Sale of Power to Consumers	7,295,839,501	6,687,955,552
Revenue from Power Trading	2,166,229,182	2,346,143,202
Meter rent / service line rental	149,930,553	52,746,053
Miscellaneous charges from Consumers	54,626,892	82,551,041
Total	9,666,626,128	9,169,395,848

Schedule 13 – Other Income

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Interest	308,655,947	265,010,894
Delayed payment charges from Consumers	14,395,087	71,992,949
Miscellaneous Receipts	23,074,524	9,432,085
Rebate/Incentives	95,656,091	73,375,127
Income From Sale of Fixed Assets	-	32,100
Total	441,781,649	419,843,155



UTTARANCHAL POWER CORPORATION LIMITED

Schedule 14 – Purchase Cost of Electricity

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
UJVNL	2,290,426,629	1,828,807,124
NRLDC	12,624,793	-
NTPC	2,789,315,627	2,075,685,606
NHPC (Including Cost of Tanakpur free power)	582,063,094	453,944,749
NPCL	253,529,323	182,050,382
Western Region	-	1,144,497
UPPCL- Re-active Charges Payable	-	4,313,732
M/s Him Urja Pvt. Ltd.	68,413,372	29,795,750
Total Purchase cost of Electricity	5,996,372,838	4,575,741,840
PGCIL -(Wheeling Charges)	327,702,095	304,344,123
Total Cost (Including Transmission Charges)	6,324,074,933	4,880,085,963
LESS : Energy Banked with PSEB	-	(20,297,631)
LESS : U.I. Charges From NREB	(468,720,956)	(135,519,169)
LESS : Reactive Charges From HPSEB	-	(759,189)
Net Cost	5,855,353,977	4,723,509,974



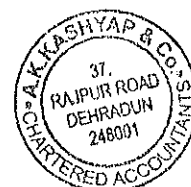
UTTARANCHAL POWER CORPORATION LIMITED

Schedule 15 – Transmission & Distribution Expenses

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Repairs and Maintenance – Plant and machinery	160,632,537	139,073,781
Repairs and Maintenance – Building & Civil Works	19,150,496	12,300,568
Repairs and Maintenance – Lines, cables works, etc.	116,605,651	93,214,798
Repairs and Maintenance – Others	303,775	996,933
Total	296,692,459	245,586,080

Schedule 16 – Personnel Expenses

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Managerial remuneration -Directors	2,188,871	1,826,688
Salaries, wages, allowances and bonus(excluding Directors Remuneration)	838,384,201	815,003,465
Contribution to provident and other funds		
Staff welfare expenses	-	1,138,654
Terminal Benefits	276,759,889	257,695,122
Other staff costs	62,807,863	76,770,204
Less: Employee cost charged to Capital WIP	(249,027,306)	(118,880,872)
Total	931,113,518	1,033,553,261



UTTARANCHAL POWER CORPORATION LIMITED

Schedule 17 – Administration expenditure

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Rent, rates and taxes	2,379,401	1,597,240
Electricity and water	22,165,688	13,970,791
Insurance	555,722	481,774
Communication	10,022,457	7,256,173
Printing and stationery	7,324,266	8,366,050
Travelling and conveyance	24,388,955	17,915,716
Legal & professional	18,319,269	27,214,683
Remuneration to auditors	254,678	80,000
Expenses on Trading to State Govt.	495,958,113	565,603,533
Advertisement and promotion	6,738,965	4,898,540
Miscellaneous Expenses	19,568,738	15,722,424
Other administrative expenses	27,980	465,277
Compensation to staff / outsiders	775,410	-
Licensee & Other Fees	30,220,433	18,650,031
Less: Administrative expenses charged to Capital WIP	(40,197,351)	(15,379,059)
Total	598,502,724	666,843,173

Schedule 18 – Interest & Other Financial Charges

Particulars	Amount (in Rs.) Current Year	Amount (in Rs.) Previous Year
Rebate/ discount allowed to consumer on sale of electricity	139,480,226	184,097,367
Interest on State Govt. Loans	193,459,533	48,861,887
Interest on Other Loans & Liabilities	1,292,131,457	1,408,876,343
Interest on Consumers Security Deposit	14,300,244	12,658,560
Guarantee Fees to State Govt.	82,484,720	-
Other financial and bank charges	364,122	300,920
Less: Interest and other financial charges charged to Capital WIP	(97,000,000)	(54,000,000)
Total	1,625,220,302	1,600,795,077



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

State Code

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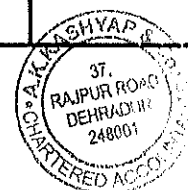
Private Placements									
N	I	L							

P	O	W	E	R		T	R	A	D	I	N	G					
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CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31st MARCH 2004

SRL NO.	PARTICULARS	RUPEES (IN CRORES)	
A.	<u>CASH FLOW FROM OPERATING ACITIVITIES</u>		
	Net Profit/(Loss) before tax and extra-ordinary items	(49.45)	
	Adjustments for:		
	i) Depreciation	91.64	
	ii) Interest	162.52	
	iii) General Reserve	36.92	
	iv) Interest Income	(30.87)	
	Operating profit before working capital changes	210.76	
	<u>Adjustment for Working Capital Changes</u>		
	i) Inventory	(77.77)	
	ii) Debtors	(151.14)	
	iii) Other Current Assets, Loans and Advances	21.04	
	iv) Current Liabilities & Provisions	94.16	
	Cash generated from Operations	97.05	
	Net Cash from Operating Activities		97.05
B.	<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
	i) Purchase & Sale of Fixed Assets	(123.13)	
	ii) Capital Work in Progress	(73.92)	
	iii) Interest Income	30.87	
	Net Cash from Investing Activities		(166.18)
C.	<u>CASH FLOW FROM FINANCING ACITIVITIES</u>		
	i) Increase in Loan Balances & Cash Credit	133.11	
	ii) Increase in Deposits	7.15	
	iii) Increase in Contribution & Grants (Funds)	103.70	
	iv) Interest paid	(162.52)	
	Net Cash from Financing Activities		81.44
	NET INCREASE IN CASH & CASH EQUIVALENTS [A+B+C]		12.31
	CASH & CASH EQUIVALENTS AS AT 1ST APRIL'2003 [OPENING BALANCE]		598.93
	CASH & CASH EQUIVALENTS AS AT 1ST APRIL'2004 [CLOSING BALANCE]		611.24





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:

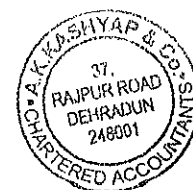
- 2.1 According to the provisions of law, Grants-in-Aid / Subsidies received from the Central / State Government or other authorities towards Capital Expenditure as well as Consumers Contribution to Capitals Works are treated initially Capital Reserve.
- 2.2 Government Grants / Subsidies are recognized only on reasonable assurance of the Government 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.



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- 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 Administrative & General 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.



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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 has been provided 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.
- 7.2.2. 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 2003-04 have been prepared after incorporating the transactions for the year 2003-04 in the Opening Balances of Assets and Liabilities as on 31-03-2003.
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 2003-04.
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 2003-04. 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 UPPCL during the Financial year 2003-04.
5. Provision for Accrued Liabilities on account of Pension and Gratuity for the period from 01-04-2003 to 31-03-2004 has been made @ 16.70% and 2.38% respectively on the amount of Basic Pay and DA paid to employees. However in view of the fact that the actual payment made during the year has been more than the provisions to be provided, the actual payment has been charged to Revenue account.
6. The provision for Bad and Doubtful Debts for the period under Review has been made @ 5% on overall assessment of the year.



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7. Provision has been made for Audit Expenses to Auditors for the period 2003-04 as follows:

- | | | |
|-----|--|------------------|
| (1) | Statutory Auditors & Branch Auditors | - Rs.80,000.00 |
| (2) | Auditor's Expenses | - Rs.1,18,758.00 |
| (3) | Tax Auditors (Other than Statutory Auditors) | - Rs. 8,000.00 |

8. Liabilities towards Staff Training, Medical Reimbursement & Leave Travel Concession (LTC) has been provided to the extent established.

9. Depreciation has been provided 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 office on any asset ceases to be used due to obsolescence, inadequacy, superfluous ness or for any other reason.

10. Inter-unit transfers amounting to Rs. 18.49 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.

12. The Inter-unit 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.28,09,09,323, REC Loans- Rs. 45,83,46,332, CPSUs Dues (as per Ahluwalia Report)- 123,79,69,336, CPSUs Liabilities- Rs.20,69,02,471 & U. P. Government Loans & 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. 65,87,64,421.

13. Interest on Loans from Bank has been accounted for as and when debited by the Bank.

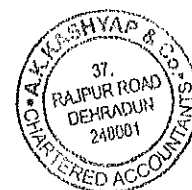
14. Interest on Fixed Deposits with Bank and others has been accounted for on accrual basis.

15. 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.

16. There are pending court cases against the corporation, which are lying undecided in various courts. An approximate amount to the tune of Rs.828.00 Lakhs is foreseen as Contingent Liability.

17. The Loans other than REC Loan for Rs. 13,942.36 Lacs, Guaranteed by the Government of Uttar Pradesh have been classified as Secured Loans and no charge has been created on the Assets of the Corporation.

18. Provision for Leave Salary Contribution Fund in the current year has been provided @ 11% of basic pay.



19. As per Accounting Standard-22, the provision for Deferred Tax Asset/Liability has been incorporated in accounts as per the following details :

Particulars	Opening balance As on 1/04/2003	Arising during the year	Balance carried as at 31/03/2004
Deferred Tax Liability on account of Timing differences:			
- Depreciation	31,36,94,347	28,84,76,390	60,21,70,737
- Expense disallowed U/S 43(B)	-23,60,80,033	-10,80,67,173	-34,41,47,206
DEFERRED TAX LIABILITY/ (ASSET)	7,76,14,314	18,04,09,217	25,80,95,531

20. Figures for the previous year have been regrouped / reclassified wherever necessary.

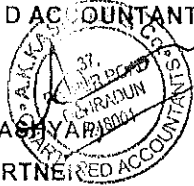
"SCHEDULE 1 TO 19 FORM AN INTEGRAL PART OF THE BALANCE SHEET"

AUDITORS REPORT

"AS PER OUR SEPARATE REPORT OF EVEN DATE"

FOR AND ON BEHALF OF
CHARTERED ACCOUNTANTS

(ASHOK K. SHYAM)
F.C.A. PARTNER



(S.P.S. RAGHAV)
CHAIRMAN & M.D.

FOR & ON BEHALF OF BOARD

(T. PANDA)
DIRECTOR (FINANCE)

(H.P. VYAS)
COMPANY SECRETARY

DATE: 19 NOV 2005

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 2nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2003.

FINANCIAL PERFORMANCE

The performance of the Company is summarized below:

	Previous Year	Financial Year (2002-03)
Period from	(9.11.2001 to 31.03.2002)	(1.04.2002 to 31.03.2003)
Total Income	2,992,054,572	9,589,239,003
Profit/(Loss) before Tax	(239,704,263)	124,141,413
Profit/(Loss) after Tax	(239,704,263)	124,141,413
Balance carried forward	(239,704,263)	124,141,413

OPERATIONS

During the financial year 2002-03, the total revenue of the Company is Rs. 958.92 crore recording substantial increase over the previous period's figure of Rs. 299.20 crore. This is on account of considerable rise in the revenue from trading and other receipts during the year. Consequently, the company recorded a Profit for the current financial year to the tune of Rs. 12.41 crore in contrast to loss of Rs. 23.97 crore in the previous period.

STATUTORY STATEMENTS

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of the Board of

Directors) Rules, 1988 relating to conservation of energy and technology absorption respectively and information relating to foreign exchange is NIL.

EMPLOYEES

The particulars required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is NIL.

DIRECTORS' RESPONSIBILITY STATEMENT

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statements for the year under review. Pursuant to Section 217(2AA) of the Companies Act, 1956 ('the Act'), and in respect of the annual accounts for the year under review, the Directors hereby confirm that they have-

- (i) Followed in the preparation of Annual Accounts, the applicable accounting standards with proper explanation relating to material departures, if any;
- (ii) Selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and its profit for the year ended on that date;
- (iii) Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, so as to safeguard the Assets of the Company and to prevent and detect fraud and other irregularities; and
- (iv) Prepared the Annual Accounts on a going concern basis.

DIRECTORS

During the year, Shri S. Krishnan, Shri A.B. Giri, Shri Mahender Kumar, Shri R.A. Sharma and Shri Om Prakash Arya were appointed as Directors in the Board of the Corporation whereas Shri Keshav Desi Raju ceased to be the Director of the Corporation.

AUDITORS

The C&AG of India appointed M/s A.K. Kashyap & Co., Chartered Accountant as the Statutory Auditors of the Corporation for the year 2002-03.

The Statutory Auditors carried out Audit of the Financial Year ending on 31st March, 2003. The C&AG of India has commented upon/supplemented the Audit Report vide letter dated 26.10.2005 (Annex-A).

Replies to the comments are annexed herewith (Annex-B).

ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the total commitment, dedication and hard work put in by all the employees of the Company.

The Directors further express their deep gratitude and thank to the Department of Energy, Government of Uttaranchal, Ministry of Power, Govt. of India, Uttaranchal Jal Vidyut Nigam Ltd., Banks, Financial Institutions for their continued support and encouragement.

For and on behalf of the Board

Date: 14th December, 2005

(S.P.S. Raghav)

Chairman & Managing Director

ANNEXURE - A

(ENCLOSURE OF AG (AUDIT), UTTARANCHAL LETTER DATED 26-10-2005)

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF UTTARANCHAL POWER CORPORATION LIMITED FOR THE YEAR ENDING 31ST MARCH 2003

1. Current Assets (Schedule 9): Sundry Debtors Rs. 546.57 crore read with note-6 (Schedule 19)

- (a) The Corporation has not classified the Sundry Debtors outstanding for a period exceeding six months as (i) considered good and (ii) considered doubtful as required in Schedule VI of the Companies Act 1956.
- (b) The Company has made a short provision of Rs. 3.50 crore for the bad and doubtful debts. This has resulted in over statement of Sundry Debtors by Rs. 3.50 crore any profit for the year to the same extent.

2. Loans and Advances (Schedule 10) Advances recoverable in Cash or Kind for value to be received. Advance for O&M supplies/works Rs. 1.28 crore.

This includes a sum of Rs. 48.27 lakh being the Misc. outstanding advances pending recovery from the suppliers/contractors pertaining to Electricity Transmission Division-I, Haldwani. As details were not available with the division, the chances of recovery/adjustment are remote. Therefore, provision for the same should have been made in the accounts. Thus the advances and profit have been overstated by Rs. 48.27 lakh respectively.

3. Statutory Auditor's Report

- (a) The Govt. of India, Ministry of Law, Justice and Company Affairs, has vide GSR No. 913 (E)

dated 21.12.2001 prescribed that the Companies engaged in the generation, transmission and distribution of power are required to maintain cost accounting records. The UPCL has not maintained the cost accounting record as prescribed under the orders referred to above. The statutory Auditor has also not commented in his report dated 16.08.2004 about non-maintenance of said records as required in Para 4 (VIII) of Companies (Auditors Report) order 2003 and stated that the clause is not applicable.

(b) Statutory Auditor's Report

Provisions of Section 227(2) (i) & (ii) of the Companies Act 1956, interalia provide that the Statutory Auditors report shall state that the accounts give a true and fair view:-

- (i) In the case of the balance sheet, of the state of the company's affairs as at the end of its financial year and
- (ii) In the case of the profit and loss account, of the profit or loss for its financial year.

The Statutory Auditors, however, have given the true and fair view, opinion in respect of Balance Sheet for the year ended 31st March 2003 only, which is not in conformity with the above mentioned provisions of the Companies Act 1956.

ANNEXURE - B

MANAGEMENT'S REPLY ON THE COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF UTTARANCHAL POWER CORPORATION LIMITED FOR THE YEAR ENDING 31ST MARCH 2003

S.NO.	COMMENTS OF C&AG OF INDIA	REPLIES OF THE MANAGEMENT
1.	<p>Current Assets (Schedule 9) Sundry Debtors Rs. 546.57 crore read with note-6 (Schedule 19)</p> <p>(a) The Corporation has not classified the Sundry Debtors outstanding for a period exceeding six months as (i) considered good and (ii) considered doubtful as required in Schedule VI of the Companies Act 1956.</p> <p>(b) The Company has made a short provision of Rs. 3.50 crore for the bad and doubtful debts. This has resulted in over statement of Sundry Debtors by Rs. 3.50 crore any profit for the year to the same extent.</p>	<p>(a) This requires a huge exercise to classify all categories of consumers as (i) considered good and (ii) considered doubtful, on the basis of their outstanding dues. Action has already been initiated in all Divisions and on observation of audit, necessary classification as per provisions of the Companies Act is being shown in the accounts for the year 2003-04</p> <p>(b) Noted: The Provision for the bad and doubtful debts has been made as per policy of the Corporation.</p>

2.	<p>Loans and Advances (Schedule 10) Advances recoverable in Cash or Kind for value to be received. Advance for O&M supplies/works Rs. 1.28 crore.</p> <p>This includes a sum of Rs. 48.27 lakh being the Misc. outstanding advances pending recovery from the suppliers/contractors pertaining to Electricity Transmission Division-I, Haldwani. As details were not available with the division, the chances of recovery/adjustment are remote. Therefore, provision for the same should have been made in the accounts. Thus the advances and profit have been overstated by Rs. 48.27 lakh respectively.</p>	<p>Noted. The concern unit has been directed earlier to investigate and submit the status of the amount shown as Miscellaneous advance, but the investigation report is still awaited. After examining the report also necessary adjustment/provision shall be made in the account of the Corporation for FY 2003-04.</p>
3	<p>Statutory Auditor's Report</p> <p>(a) The Govt. of India, Ministry of Law, Justice and Company Affairs, has vide GSR No. 913 (E) dated 21.12.2001 prescribed that the Companies engaged in the generation, transmission and distribution of power are required to maintain cost accounting records. The UPCL has not maintained the cost accounting record as prescribed under the orders referred to above. The statutory Auditor has also not</p>	<p>(a) Noted. Accordingly, cost accounting records, as prescribed under the order of Govt. of India, Ministry of Law, Justice & Company Affairs, No. GSR-913(E) dt. 21.12.2001, of the Corporation are now being maintained by UPCL from the Financial Year 2002-2003 and thereafter every year in compliance of the order of the Govt. of India.</p>

commented in his report dated 16.08.2004 about non-maintenance of said records as required in Para 4 (VIII) of Companies (Auditors Report) order 2003 and stated that the clause is not applicable.

(c) Statutory Auditor's Report

Provisions of Section 227(2) (i) & (ii) of the Companies Act 1956, interalia provide that the Statutory Auditors report shall state that the accounts give a true and fair view:-

- a. In the case of the balance sheet, of the state of the company's affairs as at the end of its financial year and
- b. In the case of the profit and loss account, of the profit or loss for its financial year.

The Statutory Auditors, however, have given the true and fair view, opinion in respect of Balance Sheet for the year ended 31st March 2003 only, which is not in conformity with the above mentioned provisions of the Companies Act 1956.

(b) The Statutory Auditors have already amended the report & the copy of same has earlier been submitted to AG (Audit), Utttaranchal.