

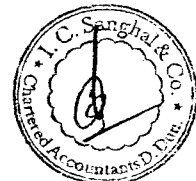
**AUDITOR'S REPORT TO THE MEMBERS OF
UTTARANCHAL JAL VIDYUT NIGAM LIMITED**

To,
The Members

We have audited the attached Balance Sheet of Uttaranchal Jal Vidyut Nigam Limited (U.J.V.N.L.) as at 31st March 2002 and the Profit & Loss Account of the Company for the period from 12th February, 01 to 31st March, 2002 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the manufacturing and Other Companies (Auditor's Report) order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we give in the annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. As referred in Note No. B (1) of Schedule XVIII annexed to the balance Sheet, In absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances have been incorporated in books of accounts. The accuracy of these opening balances of Assets & Liabilities could not be verified by us in absence of any agreement between UPJVN & UJVN. The details and breakup of Assets & Liabilities so transferred were not available and the consolidated balances have been incorporated in the financial statements of the Company for the year 2001-02. Consequently the opening balances of the specific Assets & Liabilities vested in the Company are not identifiable or verifiable. In the absence of such details, we are unable to express our opinion on the correctness of the accounting of the transactions relating to such balances and also to verify and ascertain the true nature and proper disclosure of the balances appearing in



the final accounts of the Company. We are also unable to ascertain the correctness or otherwise of the payments made by the Company on account of the liabilities taken over and also the reliability and nature of assets so taken over.

3. SECURED LOANS (Rs.45.65 Crores) Schedule III

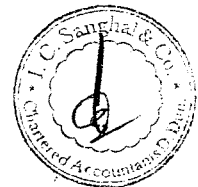
In absence of finalisation of the Transfer Scheme, the proportionate liability on account of secured loan from LIC as referred in note no B(8) of Schedule XVIII, could not be ascertained and verified by us. Further the terms & conditions, details of securities provided, if any, the documents executed and balance confirmation in respect of secured loan from Life Insurance Corporation of India along with overdue principal, and interest payable there on, have not been provided to us, to verify the correctness of the liability and obligation of the Company.

4. FIXED ASSETS (Rs. 685.34 Crores) Schedule V

- (i) Records / Title deeds in respect of Land & Buildings in respect of large hydro units included in Schedule VI to the Balance Sheet have not been produced before us for our verification.
- (ii) Detailed breakup and list of items under various fixed assets and their locations have not been provided to us for verification. The ownership rights and the charges or obligations, if any, against the fixed assets have not been provided for our verification. The impact, if any, on the final accounts of the Company is unascertainable.
- (iii) The Company has not maintained the fixed assets register at large hydro units of erstwhile UPSEB.
- (iv) The Company except in case of Small Hydro Divisions has not conducted physical verification of fixed assets during the year.

5. CAPITAL WORK IN PROGRESS (Rs 382.06 Crores) Schedule VII

The project-wise details of the Capital Work in Progress incase of various units of erstwhile UPSEB, have not been furnished to us. In the absence of such details, it is not possible for us, to verify the physical existence, progress, expenses incurred and status of such projects.



6. CURRENT ASSETS, LOANS AND ADVANCES (Rs. 289.87 Crores)

- (i) The balances in personal accounts, other receivables, loans and advances including accounts of Government Companies/ Departments have not been reconciled and confirmed. The differences in balances, if any, and their impact on the financial results and Balance Sheet could not be determined.
- (ii) Detailed party-wise break-up of various head of Loans and Advances has not been provided to us for verification. Further since due to non-availability of above details, we could not ascertain, the nature of transactions under various heads. Hence impact, if any, of such unexplained balances on the financial results and Balance Sheet cannot be determined.

(iii) INTER UNIT BALANCES (Dr. Rs. 27.75 Crores) Schedule- VIII

The Inter-Unit Accounts have not been reconciled and the differences have not been adjusted in the books of account. There are large numbers of debit and credit entries yet to be reconciled and the impact of such unreconciled entries on the Balance Sheet and Profit and Loss of the Company cannot be ascertained.

(iv) STOCK, STORES AND SPARES (Rs. 1.21 Crores) Schedule IX

- (a) The complete stock records and inventory as on 31.03.2002 have not been furnished to us, except for Small Hydro divisions and for some large hydro units.
- (b) The reports if any, of the Physical verification of stock has not been made available to us except for the units of small hydro divisions and some large hydro units.
- (c) The necessary documents and supporting relating to the valuation of closing stock at some large hydro units have not been made available to us for verification; hence we could not check the valuation of closing stock.

7. CURRENT LIABILITIES (Rs. 109.22 Crores) Schedule XIII

- (i) The balances under this head have not been reconciled and confirmed. The difference in balance and their impact on the financial assets and Balance Sheet could not be ascertained.



- (ii) The total outstanding due to small scale industrial undertakings including the name of such undertakings to whom company owes a sum exceeding Rs.1.00 lacs for more than (30) days has not been disclosed as per the requirements of Schedule VI, Part - I to the Companies Act, 1956.
- (iii) Detailed party wise breakup of various heads of current liabilities has not been provided to us for verification. Further since due to non-availability of above details, we could not ascertain, the nature of transactions under various heads. Hence, impact if any, of such unexplained balances on the financial result and Balance sheet could not be determined.

8. PROFIT & LOSS ACCOUNT

- (1) Encashment of leave of employees is accounted for on cash basis, as per details given in note no. A(2) (iii) of Schedule XVIII of the Balance Sheet. This is not in accordance to the Accounting Standard 15 on "Accounting for Retirement Benefit in the Financial Statement of Employers" issued by ICAI, which requires accounting of earned leave on a accrual basis. The effect of liability in respect of leave encashment on the loss of the Company and the impact of Current Liability of the company has not been ascertained.
- (2) As referred to note no. B(2) (9) of Schedule XIII annexed to the Balance Sheet, the company has made various payments to Irrigation Department during the year & debited the same under Repairs & Maintenance on payment basis.

Subject to our observations and comments referred to in para 1 to 8 above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) 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.
- (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account.
- (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the

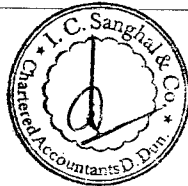


Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, except as stated in para 8(i).

- (v) As per the information and explanations given to us, none of the Directors of the Company are disqualified from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to explanations given to us the said accounts read with the notes there on give the information as required by the Companies Act, 1956 in the manner so required, the said accounts give a true and fair view in conformity with accounting principals generally accepted in India.
- (1) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2002.

AND

- (2) In the case of Profit & Loss Account, of the LOSS for the period ended on that date.



Place: Dehradun
Date: 22/11/2003

For I.C. Sanghal & Co.
Chartered Accountants

I.C. Sanghal
(Partner)

ANNEXURE TO THE AUDITOR'S REPORT
(Referred to in paragraph 1 of our report of even date)
REG: Uttaranchal Jal Vidyut Nigam Ltd.

1. The Company has not maintained proper records showing full particulars including quantitative details and situation of fixed assets in case of various units of erstwhile UPSEB. No fixed assets register has been maintained at these units.

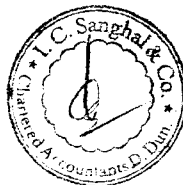
As per the information and explanations given to us, the Fixed Assets of the Company have not been physically verified by the management during the year, except in case of small hydro division, which in our opinion is not reasonable having regard to the size of the company and nature of its assets. Please also refer Para 4 of the main Auditors Report.

2. As per the information and explanations given to us, none of the fixed assets have been revalued during the year.
3. As per the information and explanations given to us, the stock, stores and spares have been physically verified by the management at small hydro divisions and some large hydro units during the year , In our opinion stocks, stores & spares should be verified minimum once in a year at all units having regard to the size of the company and its quantum . Please also refer Para 6 (iv) of the main Auditors Report.
4. In our opinion and according to the information and explanation given to us, the procedure followed in the physical verification of stocks in case of small hydro divisions is reasonable and adequate in relation to the size of the company and nature of its business.
5. As per the information and explanations given to us, no material discrepancies have been noticed during physical verification of stocks as compared to books of account.
6. We are unable to express our opinion on valuation of stock in absence of complete stock records & inventory in some of the units.
7. The company has not taken or granted any loan, secured or unsecured from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.



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8. The detailed party wise breakups of various heads of loans and advances have not been provided to us for verification. Hence, we are unable to ascertain the nature of various heads of loans and advances and whether loans and advances in the nature of loans given by the company are being repaid by the parties as per stipulation and are regular in payment of interest, wherever applicable. Please also refer Para 6(i) & (ii) of the main Auditors Report.
9. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of company and the nature of its business with regard to purchase of store, components, plant and machinery, equipments and other assets and for the sale of goods.
10. In our opinion and according to the information and explanation given to us, the transactions of purchase of stores, components and other materials for repair and maintenance and sale of goods made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50, 000.00 or more in respect of each party have been made at prices, which are reasonable having regard to prevailing to market prices for such goods or materials where such market prices are available with the company or to the prices at which transactions for similar goods have been made with other parties.
11. In our opinions and according to information & explanation given to us, the company has regular procedure for determination of unserviceable and damaged stores.
12. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public with in the meaning of Section 58 A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.
13. In our opinion and according to the information and explanation given to us, reasonable records have been maintained by the company for the sale and disposal of scrap.
14. The internal Audit system for this accounting period has been implemented after the end of the accounting period, which prima facie is commensurate with the size of company and nature of its business.
15. According to the information and explanations given to us, we are of the opinion that the maintenance of cost records has not been prescribed by the

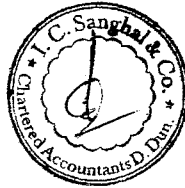


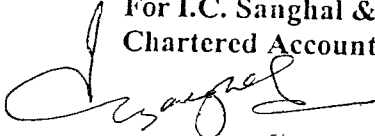
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Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of any of the activities of the company.

16. According to the information and explanations given to us, Provident Fund dues have generally been regularly deposited during the year with the appropriate authorities.
17. According to the information and explanations given to us, there are no undisputed amounts payable in respect on income tax, wealth tax, customs duty, excise duty and sales tax outstanding as at 31st March 2002.
18. According to the information and explanations given to us, and the records of the company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. In our opinion an according to the information and explanation given to us, the company is not a Sick Industrial Company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986)

Place: Dehradun
Date: 22/11/2003



For I.C. Sanghal & Co.
Chartered Accountants

(I.C. Sanghal)
Partner