

**JAMMU & KASHMIR STATE POWER DEVELOPMENT
CORPORATION LIMITED**

**ANNUAL GENERAL MEEETING
FOR THE YEAR 2008-2009**

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the 13th annual report and the audited accounts of the Corporation for the year 2008-09. The Corporation was set up under the Companies Act, 1956 on 16.02.1995 with the main object of establishing the new Power Projects in the State and to take over all running Power Houses of the State from the Power Development Department.

FINANCIALS:

The Corporation registered turnover of Rs. 12068.19 lacs through sale of energy during this year against Rs. 11686.66 lacs during the previous year. Net profit for the year was Rs. 3716.73 lacs as against loss of Rs. 1290.02 lacs of previous year.

GENERATION:

During the year 2008-09, 16981.73 lac units of energy was generated by different Power Houses of the Corporation as detailed below:

S. No	Name of the Project	Energy generated (in Lac Units)
1	USHP-II, Kangan	2493.472
2	L.J.H.P	5261.01
3	USHP-I, Sumbal	848.62
4	Ganderbal	222.09
5	Chenani-I & II	599.76
6	Chenani-III	111.38
7	Karnah	26.33
8	Sumoor, Hunder & Bazgo	11.92
9	Iqbal MHP, Kargil	79.72
10	Igo Mercellong	100.93
11	Gas Turbine-I	2.79
12	Gas Turbine-II	0
13	Sewa-III	76.84
14	Baderwah	0
15	Haftal	2.63
16	Pahalgam	66.36
17	Baglihar-I	7076.34
	Total	16981.73

PARTICULARS OF EMPLOYEES:

There was no employee in the Corporation whose particulars are required to be disclosed under section 217 (2A) of the Companies Act read with the Companies (Particulars of Employees) Rule 1975.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

A. Conservation of Energy:

There is nothing to be mentioned in respect of conservation of energy particularly to Hydro Power Projects.

B. Technology Absorption:

The new technology is used for the construction of new Projects. The old and worn out parts and machineries are being replaced by available new technology and the same cannot be quantified.

C. Foreign Exchange Earnings and out go:

There were no foreign exchange earnings. However Rs. 12, 49, 04,207.00 have been paid to M/s Lehmeier and Rs. 85,07,48,873 has been paid to M/s Voith Siemens in case of newly taken over prestigious Baglihar Hydro Electric Project during the year 2008-2009.

DIRECTORS:

During the period Sh. Omar Abdullah, Sh. J. A. Khan, Sh. B. R. Sharma, Sh. Sudhanshu Pandey, Sh. A. M. M. Jehangir, Sh. R. K. Seli, Sh. Aftab Ahmed were appointed as Directors. Sh. N. N. Vohra, Sh. C. Phunsog, Sh. B. B. Vyas, Dr. Haseeb Drabu, Sh. A R Tak, Sh. G Q Wani, Sh. R K Seli, ceased to be Directors. Sh. Bipul Pathak was appointed as Managing Director. Sh. Sundeep K. Nayak and Sh. Shantmanu ceased to be managing Directors.

AUDITORS:

M/s Gupta Gupta & Associates, Chartered Accountants, Jammu were appointed Statutory Auditors for the year 2008-2009 by the Comptroller and Auditor General of India.

EXPLANATION TO QUALIFICATION IN THE AUDITOR'S REPORT:

The information and explanations to the qualifications in the Auditor's report are given in the Annexure forming part of this report.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of the assistance and support extended by various departments of State Govt. Your Directors further express their gratitude for the valuable contribution made by the employees of the Corporation at all levels towards its growth.

For & on behalf of the Board

JAMMU

Date: 09-12-2011


Director Finance


Managing Director

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Management Reply to the Auditor's Report to Shareholders for the year 2008-09.

1.	<p>We have audited the attached Balance Sheet of Jammu & Kashmir State Power Development Corporation Limited as at 31.03.2009, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.</p>	No Comments
2.	<p>We conducted our audit in accordance with auditing standards generally accepted in India. Those 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 a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</p>	No Comments.
3.	<p>As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amended) Order, 2004 issued by the Central Govt. of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure-1, a statement on the matters specified in paragraph 4 & 5 of the said order to the extent applicable to the Company.</p>	Replies furnished annexurewise seperately
4.	<p>Further to our comments in the Annexure referred to above, we report that:- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary</p>	No comments





<p>for the purposes of our audit except where otherwise stated.</p> <p>b) In our opinion, proper books of accounts as required by law have not been kept by the Company, so far as appears from our examination of those books.</p> <p>c) The Balance sheet and Profit & Loss Account dealt with by this report are not in agreement with the Books of Accounts.</p> <p>d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report do not comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956. Further, the financial statements have not been prepared as per schedule VI of the Companies Act, 1956.</p> <p>e) Being a Government Company, pursuant to the Gazette notification no. GSR 829(E) dated 21.10.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act 1956, are not applicable to the company.</p> <p>f) The Audited Accounts for the previous financial year 2007-08 have yet to be considered and adopted in the Annual General Meeting of the Company.</p> <p>g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies, notes to accounts and Annexure-2 regarding various observations on account of our audit having impact on accounts, do not give the information required by the Companies Act, 1956, in the manner so required and do not give a true and fair view in conformity with the accounting principles generally accepted in India:</p> <p>i) In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2009; and</p>	<p>The observation is not specific. However, the corporation has maintained proper books of accounts as required by law.</p> <p>The Balance sheet & P&L Account have been strictly drawn from the books of accounts maintained at units and consolidated at Corporate office of the Corporation. The Disagreement is denied as no such variations have been pointed out.</p> <p>The Accounting standards have been followed to the best possible extent and the financial statements have been prepared as per schedule VI of the Companies Act only. The Auditors have not reported any specific deviation. However, the needful shall be ensured in future.</p> <p>No Comments</p> <p>Not denied.</p> <p>The financial statements give all necessary information as required by the Companies Act and the generalized opinion of the Auditors is not tenable insofar as no reasons thereof have been given by the audit. The qualification is denied.</p>
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5.	<p>(ii) In the case of Profit and Loss account of the profit of the Company for the year ended on that date.</p> <p>ANNEXURE -1 TO THE AUDITOR'S REPORT</p> <p>a) The Company has not maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>b) We have neither been provided information for the fixed assets being physically verified by the management at reasonable intervals nor we have been informed about a regular programme of verification of such assets.</p> <p>c) During this year, the company has not disposed off any part of plant & machinery</p>	<p>Fixed Assets Registers are primarily maintained at Division/Unit level which the auditors could have checked, if they had visited the Divisions.</p> <p>Not denied.</p>
6.	<p>a) The Company generates electricity and the process of its generation and transfer is simultaneous. As far as the stores and spares are concerned, no documentary evidence has been furnished for having conducted physical verification of such inventory by the management.</p> <p>b) Since we have not been provided with the information regarding the procedures followed by the management for physical verification of inventory i.e. for stores and spares as such no comment on its reasonableness and adequacy can be made.</p> <p>c) We have not been provided with the information regarding the maintenance of proper records of inventory for stores and spares. Therefore, no comment on discrepancy therein can be made.</p>	<p>Agreed, the stores verification reports could have been seen, if the auditors would have visited Divisions/field units.</p> <p>Registers are primarily maintained at Division/Unit level which the auditors could have checked, if they had visited the Divisions.</p>
7.	<p>a) The company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However the Company grants the mobilization advances with/without interest to its vendors during the</p>	<p>Agreed</p>

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	<p>course of business. Accordingly, the paragraphs (iii) (b), (c) and (d) of the CARO are not applicable.</p> <p>e) The company has not taken any loans, secured or unsecured from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company has taken various grants/loans from the Central/State Government of India. Accordingly, the paragraphs (iii) (f) and (g) of the CARO are not applicable.</p>	Agreed.
8	In our opinion and according to the information and explanation given to us, the company has no adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, spares, fixed assets and for the sale of electricity. The major weakness in the internal control is about the proper records of inventory.	The internal audit reports and response to the same could be shown to audit. The observation of the audit is denied.
9.	The company has not entered into such transactions that need to be entered into the register in pursuance of section 301 of the Act. Accordingly, the paragraph (v) (b) of CARO is not applicable.	Agreed.
10	(vi) The company has not accepted any deposits from the public. Accordingly, the provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.	
	According to the explanations given to us, the Company has its internal audit teams, which carry out the internal audit of various units of the company. However, the Company has failed to provide any information/evidence about the internal audit. We have all reason to assume that the company has no internal audit system.	The internal audit reports and response to the same could be shown to audit. However, the preparation of internal audit manual and policy shall be taken in hand as per advice of the audit.
12	According to the explanations given to us, the maintenance of	Audit observation noted and shall be looked in near future.



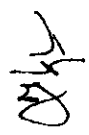

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	<p>cost records has not been prescribed by the General Government under clause (d) of sub-section (1) of section 209 of the Act. This is contrary to the fact. The Central Govt. vide Notification no. GSR no. 913(E) dated 21.12.2001 and amended by Notification no. GSR 709(E) dated 7.12.2005 and GSR 387(E) dated 27.06.2006 has subject this type of Company to maintain cost records and the Company has failed/violated to maintain these records.</p>	
13	<p>a) According to the explanations given to us, there are no disputed amounts payable in respect of statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other statutory dues with the appropriate authorities which are outstanding as at the last day of the financial year concerned for a period of more than six months from the date they became payable.</p> <p>b) & c) However, the Company has not provided us adequate documentary evidence in support of no disputed statutory dues.</p>	<p>Agreed.</p> <p>All records are available in the Corporate Office.</p>
14	<p>The accumulated losses of the Company at the end of the financial year are less than fifty percent of its worth and it has not incurred cash losses in such financial year and in the immediately preceding financial year.</p>	<p>Agreed.</p>
15	<p>According to the explanations given to us, the Company has not defaulted in repayment of dues to the financial institutions/banks. However we have not been provided with adequate documentary evidence in support of the explanation given by the management. We further report that the Company has not issued debentures during the year.</p>	<p>Agreed. Loan ledgers and other associated documents are available in the Corporate office.</p>
15	<p>The Company has granted loans and advances to the vendors</p>	<p>Records are available in the Corporate Office.</p>

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	which are outstanding since long and the company has failed to provide any documentary evidence in support of these loans.	
16	<p>The Company is not a chit fund/midhi/mutual benefit fund/society. Therefore, the provisions of any special statute are not applicable to this company.</p> <p>(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, no comment is required on the maintenance of proper records thereof.</p>	Agreed.
17	<p>The Company has not given any guarantee for loans taken by others from banks or financial institutions.</p> <p>The term loans were applied for the purpose for which the loans were obtained.</p> <p>The funds raised on short term basis have not been used for long term investment.</p> <p>The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act.</p> <p>The company has not issued debentures during the year.</p>	Not denied.
18	<p>The Company has not raised any money by public issues.</p> <p>In view of the improper records & absence of evidence about internal checks, we express our inability to report that no frauds on or by the company has been noticed during the year.</p>	Documentary evidence is available.



	ANNEXURE-2: Referred to in Paragraph 3 of our Audit Report of even date on the Accounts of Jammu & Kashmir State Power Development Corporation Limited for the year ended on 31st March 2007.	
19	Accounts being maintained on hybrid method of accounting as such these are in contravention to section 209(3) of the Companies Act, 1956. The impact on the accounts remained unascertained.	The observation is not specific. However, the corporation has maintained proper books of accounts as required by law
20	The Books of Accounts have not been properly closed to tally with final accounts in view of the fact that adjustment entries/provisions have not been routed through books as such the final accounts are not in agreement with Books of Accounts. The company since its inception has provided depreciation on its fixed assets at the rates prescribed under I.Tax Rules, 1962 which is in contravention to section 205(2) read with section 350 of the Companies Act, 1956.	The Balance sheet & P&L Account have been strictly drawn from the books of accounts maintained at units and consolidated at Corporate office of the Corporation. The Disagreement is denied as no such variations have been pointed out. Audit observation noted for correct action in future.
21	The PM Reconstruction Plan Baglihar reflected under Reserves & Surplus (Schedule 2 of Balance Sheet) has been overstated by Rs.200 crores which has otherwise been received as Special Central Assistance by way of Interest Free Loans from Govt. vide order no. 334 PDD of 2008 dated 21.11.2008.	Audit observation is noted for correct action in future.
22	The Miscellaneous Advances to various officers amounting to Rs. 86,58,027/- parked under the head 'Loans & Advances' remains unadjusted since 30.09.1997. The company has failed to offer any valid reasons for not having allocated/adjusted such advance to proper heads.	Audit observation is being looked into.
23	The adjustment entries for an advance given by Kargil unit in the year 1998-99 amounting to Rs.1095718/- for supply of material has not been passed	Noted for action correct action in future.
24	The balance outstanding from a sole debtor	Records are available. Reconciliation is being taken up and will be





	(Power Development Deptt. of J&K Govt.) amounting to Rs. 701,91,60,667/- is unconfirmed.	shown to the auditors-visitng next.
25	The Loans & Advances (Schedule 7 of Balance Sheet) shows an amount of Rs.79,14,56,019/- recoverable from NHPC as against the Project cost given to NHPC for taking over Baglihar Project.	Not denied.
26	Capital Stores & Stocks amounting to Rs.42,96,64,154/- reflected in schedule 5 of 'Fixed Assets' is neither verifiable nor could be explained more particularly in view of the fact that company do have capital expenses debited under the head Work in Progress.	These stores are capital in nature and represent the items procured for execution of projects. At the end all these stores shall get allocated to the project fixed assets after capitalization and were therefore shown in the fixed assets schedule. The observation is however, noted for future.
27	The interest on Secured and Unsecured Loans remained unverifiable for want of details as such proper allocation to capital/revenue head could not be certified. Further, basis of interest amounting to Rs.10,76,50,677/- being charged to Profit & Loss Account has not been furnished to us.	Details are available in the Corporate Office of JKSPDC.
28	The balance outstanding in respect of Bridge Loans of Rs.199.34 crores & Term Loan of Rs.201.16 crores, Rs. 161.78 crores and Rs. 103.09 crores availed from The Jammu & Kashmir Bank Ltd. have remained unconfirmed. In addition, balance confirmations in respect of loans from The Jammu & Kashmir Bank Ltd., Power Finance Corporation Ltd. (PFC), Rural Electrification Corporation Ltd. (REC), HUDCO and from J&K Government have not been provided to us.	Confirmation shall be obtained as advised by the audit.
29	In absence of necessary entries in the books of accounts the 'Current Liabilities' amounting to Rs.145.16 crores as on March 31,2009 remained unverifiable. Further, the details have not been furnished to verify the basis vide which Rs.4.51 crores have been provided for Salary and Rs. 2.14 crores for Other Expenses.	Details are available in the Corporate Office.
30	The Company has not maintained proper records in respect of Bonds issued by it. Further, interest has been charged to	Proper records are available in the Corporate office.





31	<p>Baglihar Project on payment basis.</p> <p>The company has not maintained records for its Fixed Deposits with the Bank standing at Rs.48,06,18,689/-. The interest on these Fixed Deposit being booked at Rs.2,07,18,092/- could not be verified for want of necessary certificates from the bank. Further, this Interest has not been booked on accrual basis.</p>	<p>Details are available in the Corporate Office.</p>
32	<p>A sum of Rs.104,06,07,229/- has been reduced as Capital Receipts from the total of Pre-operative expenses of Projects pending Capitalization which remained unverified for want of details. We have been given to understand that this head represents only Baglihar Project, but no detail thereof has been provided to us for verification.</p>	<p>These are capital receipts, hence reduced from the expenditure.</p>
33	<p>The Company has also not credited to its Profit & Loss account Surcharge on delayed settlement of bills of energy from the Power development Deptt.; the amount thereof could not be ascertained in the absence of the required information. It has resulted in the understatement of the profit of the Company by that amount and understatement of sole debtor to that extent.</p>	<p>Audit observation noted for correct action in future.</p>

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CHARTERED ACCOUNTANTS

**GUPTA
GUPTA
AND
ASSOCIATES**

AUDITOR'S REPORT

HEAD OFFICE :

142, SECTOR-3,
TRIKUTA NAGAR,
JAMMU-180012.

Ph. : (0191)-2472121, (0191)-2472122

To The Members

1. We have audited the attached Balance Sheet of Jammu & Kashmir State Power Development Corporation Limited as at 31.03.2009, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those 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 a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amended) Order, 2004 issued by the Central Govt. of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure-1, a statement on the matters specified in paragraph 4 & 5 of the said order to the extent applicable to the Company.

We also enclose Annexure-2 regarding various observations on account of our audit having impact on accounts as stated in respective paras of this Annexure

4. Further to our comments in the Annexure referred to above, we report that:-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except where otherwise stated.
 - b) *In our opinion, proper books of accounts as required by law have not been kept by the Company, so far as appears from our examination of those books.*

- c) *The Balance sheet and Profit & Loss Account dealt with by this report are not in agreement with the Books of Accounts.*
- d) *In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report do not comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956. Further, the financial statements have not been prepared as per schedule VI of the Companies Act, 1956.*
- e) Being a Government Company, pursuant to the Gazette notification no. GSR 829(E) dated 21.10.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act 1956, are not applicable to the company.
- f) *The Audited Accounts for the previous financial year 2007-08 have yet to be considered and adopted in the Annual General Meeting of the Company.*
- g) *In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies, notes to accounts and Annexure-2 regarding various observations on account of our audit having impact on accounts, do not give the information required by the Companies Act, 1956, in the manner so required and do not give a true and fair view in conformity with the accounting principles generally accepted in India:*
- i) *in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2009; and*
- ii) *in the case of Profit and Loss account of the profit of the Company for the year ended on that date.*

Place : Jammu
Dated : 02.06.2011

For Gupta Gupta & Associates
Chartered Accountants
(F.R.N. 001728N)

(CA. Lalit Magotra)
Partner
M. no. 088613

ANNEXURE -1 TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) a) *The Company has not maintained proper records showing full particulars, including quantitative details and situation of fixed assets.*
- b) *We have neither been provided information for the fixed assets being physically verified by the management at reasonable intervals nor we have been informed about a regular programme of verification of such assets.*
- c) *During this year, the company has not disposed off any part of plant & machinery*
- (ii) a) *The Company generates electricity and the process of its generation and transfer is simultaneous. As far as the stores and spares are concerned, no documentary evidence has been furnished for having conducted physical verification of such inventory by the management.*
- b) *Since we have not been provided with the information regarding the procedures followed by the management for physical verification of inventory i.e. for stores and spares as such no comment on its reasonableness and adequacy can be made.*
- c) *We have not been provided with the information regarding the maintenance of proper records of inventory for stores and spares. Therefore, no comment on discrepancy therein can be made.*
- (iii) a) *The company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However the Company grants the mobilization advances with/without interest to its vendors during the course of business. Accordingly, the paragraphs (iii) (b), (c) and (d) of the CARO are not applicable.*
- e) *The company has not taken any loans, secured or unsecured from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company has taken various grants/loans from the Central/State Government of India. Accordingly, the paragraphs (iii) (f) and (g) of the CARO are not applicable.*

- (iv) *In our opinion and according to the information and explanation given to us, the company has no adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, spares, fixed assets and for the sale of electricity. The major weakness in the internal control is about the proper records of inventory.*
- (v) The company has not entered into such transactions that need to be entered into the register in pursuance of section 301 of the Act. Accordingly, the paragraph (v) (b) of CARO is not applicable.
- (vi) The company has not accepted any deposits from the public. Accordingly, the provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
- (vii) *According to the explanations given to us, the Company has its internal audit teams, which carry out the internal audit of various units of the company. However, the Company has failed to provide any information/evidence about the internal audit. We have all reason to assume that the company has no internal audit system.*
- (viii) According to the explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act. This is contrary to the fact. *The Central Govt. vide Notification no. GSR no. 913(E) dated 21.12.2001 and amended by Notification no. GSR 709(E) dated 7.12.2005 and GSR 387(E) dated 27.06.2006 has subject this type of Company to maintain cost records and the Company has failed/violated to maintain these records.*
- (ix) a) According to the explanations given to us, there are no disputed amounts payable in respect of statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other statutory dues with the appropriate authorities which are outstanding as at the last day of the financial year concerned for a period of more than six months from the date they became payable.
b) & c) *However, the Company has not provided us adequate documentary evidence in support of no disputed statutory dues.*
- (x) The accumulated losses of the Company at the end of the financial year are less than fifty percent of its worth and it has not incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) *According to the explanations given to us, the Company has not defaulted in repayment of dues to the financial institutions/banks. However we have not been provided with adequate documentary evidence in support of the explanation given by the management. We further report that the Company has not issued debentures during the year.*

- (xii) *The Company has granted loans and advances to the vendors which are outstanding since long and the company has failed to provide any documentary evidence in support of these loans.*
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society. Therefore, the provisions of any special statute are not applicable to this company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, no comment is required on the maintenance of proper records thereof.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The term loans were applied for the purpose for which the loans were obtained.
- (xvii) The funds raised on short term basis have not been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act.
- (xix) The company has not issued debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) *In view of the improper records & absence of evidence about internal checks, we express our inability to report that no frauds on or by the company has been noticed during the year.*

Place : Jammu
Dated : 02.06.2011



For Gupta Gupta & Associates
Chartered Accountants
(F.R.N. 001728N)

(CA. Lalit Magotra)
Partner
M.no. 088613

1. *Accounts being maintained on hybrid method of accounting as such these are in contravention to section 209(3) of the Companies Act, 1956. The impact on the accounts remained unascertained.*
2. *The Books of Accounts have not been properly closed to tally with final accounts in view of the fact that adjustment entries/provisions have not been routed through books as such the final accounts are not in agreement with Books of Accounts.*

The company since its inception has provided depreciation on its fixed assets at the rates prescribed under I.Tax Rules, 1962 which is in contravention to section 205(2) read with section 350 of the Companies Act, 1956.

3. *The PM Reconstruction Plan Baglihar reflected under Reserves & Surplus (Schedule 2 of Balance Sheet) has been overstated by Rs.200 crores which has otherwise been received as Special Central Assistance by way of Interest Free Loans from Govt. vide order no. 334 PDD of 2008 dated 21.11.2008.*
4. *The Miscellaneous Advances to various officers amounting to Rs. 86,58,027/- parked under the head 'Loans & Advances' remains unadjusted since 30.09.1997. The company has failed to offer any valid reasons for not having allocated/adjusted such advance to proper heads.*
5. *The adjustment entries for an advance given by Kargil unit in the year 1998-99 amounting to Rs.1095718/- for supply of material has not been passed*
6. *The balance outstanding from a sole debtor (Power Development Deptt. of J&K Govt.) amounting to Rs. 701,91,60,667/- is unconfirmed .*
7. *The Loans & Advances (Schedule 7 of Balance Sheet) shows an amount of Rs.79,14,56,019/- recoverable from NHPC as against the Project cost given to NHPC for taking over Baglihar Project.*
8. *Capital Stores & Stocks amounting to Rs.42,96,64,154/- reflected in schedule 5 of 'Fixed Assets' is neither verifiable nor could be explained more particularly in view of the fact that company do have capital expenses debited under the head Work in Progress.*

9. *The interest on Secured and Unsecured Loans remained unverifiable for want of details as such proper allocation to capital/revenue head could not be certified. Further, basis of interest amounting to Rs.10,76,50,677/- being charged to Profit & Loss Account has not been furnished to us.*
10. *The balance outstanding in respect of Bridge Loans of Rs.199.34 crores & Term Loan of Rs.201.16 crores, Rs. 161.78 crores and Rs. 103.09 crores availed from The Jammu & Kashmir Bank Ltd. have remained unconfirmed. In addition, balance confirmations in respect of loans from The Jammu & Kashmir Bank Ltd., Power Finance Corporation Ltd. (PFC), Rural Electrification Corporation Ltd. (REC), HUDCO and from J&K Government have not been provided to us.*
11. *In absence of necessary entries in the books of accounts the 'Current Liabilities' amounting to Rs.145.16 crores as on March 31,2009 remained unverifiable. Further, the details have not been furnished to verify the basis vide which Rs.4.51 crores have been provided for Salary and Rs. 2.14 crores for Other Expenses.*
12. *The Company has not maintained proper records in respect of Bonds issued by it. Further, interest has been charged to Baglihar Project on payment basis.*
13. *The company has not maintained records for its Fixed Deposits with the Bank standing at Rs.48,06,18,689/-. The Interest on these Fixed Deposit being booked at Rs.2,07,18,092/- could not be verified for want of necessary certificates from the bank. Further, this Interest has not been booked on accrual basis.*
14. *A sum of Rs.104,06,07,229/- has been reduced as Capital Receipts from the total of Pre-operative expenses of Projects pending Capitalization which remained unverified for want of details. We have been given to understand that this head represents only Baglihar Project, but no detail thereof has been provided to us for verification.*
15. *The Company has also not credited to its Profit & Loss account Surcharge on delayed settlement of bills of energy from the Power development Deptt.; the amount thereof could not be ascertained in the absence of the required information. It has resulted in the understatement of the profit of the Company by that amount and understatement of sole debtor to that extent.*



PS-396
R.P.H

J & K State Power Development Corporation Limited.
Corporate Headquarters, Near Nehru Park,
Srinagar,

Subject: - Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Jammu & Kashmir State Power Development Corporation Limited for the year 2008-09.

Sir,

Please find enclosed 'Non-Review Certificate' of the Comptroller and Auditor General of India, under Section 619(4) of the Companies Act, 1956 on the accounts of Jammu & Kashmir State Power Development Corporation Limited for the year 2008-09. for being placed before the shareholders in the Annual General Meeting (AGM) of the Company. The date of holding the AGM may please be intimated and also minutes thereof furnished to this office.

Kindly acknowledge the receipt.

Yours Faithfully,


Dy. Accountant General (C)

Encl.: As above.

No: CAW/B-S/2008-09/JKPDC/2011-12

Dated:-

1. Copy of the above along with the following documents as forwarded to the Dy. Director (Commercial - States), Office of the Comptroller and Auditor General of India, 10-Bahadurshah Zafar Marg New Delhi -110002, for information along with Certified copy of Annual Accounts for the year 2008-09 and non-Review Certificate..


Dy. Accountant General (C)

Copy for information to the Commissioner/Secretary to Govt. of Jammu & Kashmir, State Industries and Commerce Department Civil Secretariat, Srinagar.

Dy. Accountant General (C)

**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE
ACCOUNTS OF JAMMU & KASHMIR STATE POWER DEVELOPMENT
CORPORATION LIMITED FOR THE YEAR 2008-09.**

The preparation of financial statements of Jammu & Kashmir State Power Development Corporation Limited for the year 2008-09, in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor/Auditors appointed by the Comptroller & Auditor General of India under Section 619(2) of the Companies Act, 1956 is/are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit.

I, on the behalf of the Comptroller & Auditor General of India, have decided not to review the report of the Statutory Auditors on the account of Jammu & Kashmir State Power Development Corporation Limited for the year 2008-09, and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

**For and on the behalf of the
Comptroller & Auditor General of India**

Place: Srinagar

Dated: *at Jammu*
28-07-2011

Yenka

**(Yenkatesh Mohan)
Principal Accountant General (Audit),
Jammu and Kashmir**

JAMMU AND KASHMIR STATE POWER DEVELOPMENT CORPORATION LIMITED
SRINAGAR, KASHMIR

BALANCE SHEET AS ON 31-03-2009

PARTICULARS	SCHEDULE	AMOUNT (RS.) 31-3-2009	AMOUNT (RS.) 31-3-2008
Source of funds			
Shareholder funds			
Share Capital	1	50,000,000	50,000,000
Reserves & Surplus	2	24,996,381,065	19,658,131,065
Loan Funds			
Secured Loans	3	4,344,671,692	5,926,900,000
Unsecured loans	4	40,846,605,651	36,356,791,070
Total		70,237,658,408	61,991,822,135
Application of funds			
Fixed assets	5		
Gross Block		55,477,362,985	52,192,749,911
Less: Depreciation		4,354,788,618	4,183,187,695
Net Block		51,122,574,367	48,009,562,216
Pre-operative Expenses pending capitalization	6	10,983,010,890	8,235,660,053
Current Assets, Loans and Advances			
Loans & Advances	7	820,128,117	829,040,943
Cash & Bank Balances	8	644,623,340	157,388,364
Sundry Debtors	9	7,019,160,667	4,426,897,227
Total		8,483,912,124	5,413,326,534
Less: Current Liabilities and Provisions	10	1,451,695,942	1,138,257,248
Net Assets		7,032,216,182	4,275,069,286
Profit & Loss Account	11	1,099,856,970	1,471,530,580
Total		70,237,658,408	61,991,822,135
Significant Accounting Policies and Notes to Accounts			
(Forming part of the Annual Accounts)	12		

Suneel Gupta
COMPANY SECRETARY
JKSPDCL

[Signature]
DIRECTOR FINANCE
JKSPDCL

[Signature]
MANAGING DIRECTOR
JKSPDCL

AUDITORS' REPORT

In terms of our separate report of even date
for C Gupta & Associates
Chartered Accountants
F.R. No. 601728 W



[Signature]
C. S. Lalit Magotra
M. NO. 88619 Partner

PLACE: SRINAGAR
DATE: 27-07-2009

**JAMMU AND KASHMIR STATE POWER DEVELOPMENT CORPORATION LIMITED
SRINAGAR, KASHMIR**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2009

PARTICULARS	AMOUNT (RS.) 31-3-2009	AMOUNT (RS.) 31-3-2008
Income		
Energy Sales	1,206,819,000	1,188,666,000
Miscellaneous Receipts	303,675	4,370,539
Interest	20,718,092	63,296,330
Direct Revenue	4,095,744	2,680,394
Total	1,231,936,511	1,239,013,263
Expenditure		
Salaries & Wages	528,265,395	513,171,297
Traveling, POL Upkeep of Motor Vehicles	30,009,484	39,484,779
Office and Administrative Expenses	14,006,658	37,824,530
Telephone	1,495,922	1,649,810
Rent, Rates & Taxes	7,113,843	3,825,795
Audit Fee	120,000	120,000
Interest and Bank Charges	107,650,677	314,472,340
Total	688,661,977	910,548,551
Profit before depreciation	543,274,534	328,464,712
Depreciation	171,600,923	199,462,064
Profit after depreciation	371,673,611	129,002,648
Significant Accounting Policies and Notes to Accounts (Forming part of the Annual Accounts)		
Net Profit transferred to Balance Sheet	371,673,611	129,002,648

[Signature]
COMPANY SECRETARY
JKSPDCL

[Signature]
DIRECTOR FINANCE
JKSPDCL

[Signature]
MANAGING DIRECTOR
JKSPDCL

AUDITORS' REPORT
In terms of our separate report of even date
for *Gupta Gupta & Associates*
Chartered Accountants
F.R.N. 117284

PLACE: SRINAGAR
DATE: 27-07-2009



[Signature]
(C.A. Lalit Megotra)
M. NO. 98613
Partner