JAMMU AND KASHMIR STATE POWER DEVELOPMENT CORPORATION LIMITED

ANNUAL GENERAL MEETING FOR THE YEAR 2009-10

JK PDC

NOTICE OF ANNUAL GENERAL MEETING

JAMMU AND KASHMIR STATE POWER DEVELOPMENT CORPORATION LIMITED

Notice is hereby given that the Annual General Meeting of the members of the Corporation will be held on 29th of August at 11:20 a.m. in the Meeting Hall, Civil Secretariat, Srinagar to transact the following Business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2010 and Profit and Loss account for the period ended on that date and the Directors and Auditors Report together with the management replies and the comments of the Comptroller and Auditor-General of India thereon.

By order of the Board

Company Secretary

Regd. Office:

Exhibition Grounds,
Srinagar, 190009.

Date: 5/8/2017

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the 14th annual report and the audited accounts of the Corporation for the year 2009-10. 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. 118344.08 lacs through sale of energy during this year against Rs. 12068.19 lacs during the previous year. The turnover of the Corporation has been increased due to commercial operation of BHEP-I w.e.f 01.04.2009.

The Corporation has implemented an ERP based on-line automation solution(Finance Module)for switching over from Single Entry Cash based Accounting System to Accrual based Double Entry Accounting System from the FY 2009-10 which necessitated the revaluation of all the assets and liabilities. As such on the basis of revalued capital cost of all the projects as worked out by the consultant S R Botliboi Consultants Pvt. Ltd in compliance with the directions of the Hon'ble SERC, the financial statements as on March 31, 2009 (FY 2008-09) have been redrafted.

Although the Corporation has earned a Profit of Rs. 325.67 crore in FY 2009-10, Net profit/(loss) for the year was Rs. (99945.68) lacs after making adjustments with respect to depreciation on revalued assets to the tune of Rs. 784.07 crore and Deferred Tax liability to the tune of Rs. 541.06 crore

GENERATION:

During the year 2009-10, 32746.07lac units of energy was generated by different Power Houses of the Corporation against 16981.73 lac units in FY 2008-09 as detailed below:

S.No	Name of the Project	Energy generated in 2009-10 (in lac units)
1	LJHP	3,929.53
2	USHP - I Sumbal	891.55
3	Ganderbal Power House	216.71
4	Chenani - I & II	621.18
5	Chenani - III	71.35
6	USHP - II, Kangan	1,216.76
7	Karnah MHP	32.13
8	Summor, Hunder & Bazgo	9.25
9	Iqbal MHP	78.77

10	IgoMercellong MHP	108.59
11	Gas Turbine- I & II	125.98
12	Sewa - III HEP	44.11
13	Baderwah Power House	-
14	BHEP	25,315.14
15	Haftal	0.76
16	Pahalgam MHP	79.29
17	Marpachoo HEP	4.98
	Total	**32,746.07**

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 energyparticularly 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 machinery 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. 10,80,73,706.00have been paid to M/s Lehmeyer and Rs. 33,81,27,483.00 has been paid to M/s Voith Siemens in case of newly taken over prestigious Baglihar Hydro Electric Project during the year 2009-10.

DIRECTORS RESPONSIBILITY STATEMENT:-

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm the following:-

i) In the preparation of the annual accounts, the applicable accounting standardshad been followed except Accounting Standard-2 & Accounting Standard-15 as mentioned in the report of statutory auditors.
   Accounting Standard -2 pertains to valuation of Inventories.The Auditors have observed as under:

   "Inventories amounting to Rs. 173655507/- reflected in schedule 6 of 'Balance Sheet' 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. Further it is the opening

balance of last year and nothing has been shown as purchased or consumed during the year. Read with Note 5 to Notes to Accounts, the Accounting Standard-2 issued by ICAI has not been complied with."

Management has taken a view in subsequent year that Inventories shall be taken at Nil Value as are being charged directly to Profit and Loss account at the time of procurement. On this justification the auditors have dropped its observation on non-compliance of Accounting Standards - 2.

The Auditors further observed as under:

"Read with Note 6 to Notes to Accounts, the Accounting Standard -15 issued by ICAI have not been complied with."

Accounting standard-15 pertains to the Employee Benefits.As most of the employees of the Corporation are on deputation from the State Government and hence nothing was provisioned on account of Retirement benefits in the annual accounts for 2009-10. However adhoc provision has beenmade from FY 2010-11 onwards for deputation employees and actuarial valuation has been got done in FY 2011-12 for permanent employees. The Auditors has dropped their observation partially in FY 2010-11 and fully in FY 2011-12.

ii) Although Directors have 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 the company at the end of the financial year and of the profit of the company for that period, however the auditors have reserved the true and fair view in the FY 2009-10 on account of non-compliance of the above stated Accounting Standards. These points are detailed in the replies of management to the auditors' observations (para 4f)forming part of this Directors' report. As these observations were substantially addressed subsequently, the Auditors have dropped this observation and have agreed in their report that the annual accounts for the year 2010-11 give true and fair view in conformity with the accounting principles generally accepted in India.

iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities: and

iv) The Directors have prepared the annual accounts on a going concern basis.

DIRECTORS:

During the period Sh. Sudhanshu Pandey, Sh. B R Sharma, Sh. B B Vyas, Sh. Aftab Ahmad and Sh. A M M Jehangir were appointed as Directors and Sh. Aftab Ahmad ceased to be Director. Sh. Bipul Pathak ceased to be Managing Director and Sh. B R Sharma was appointed as Managing Director.

AUDITORS:

M/s Gupta Gupta & Associates, Chartered Accountants, Jammu were appointed Statutory Auditors for the year 2009-2010 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

Place:- Jammu
Date: 26·03·2016

(UpenderJit Singh)
Director Finance

(Ajay Gupta)
Executive Director (Electric)

(Ahmed Muzaffer Lanker)
Executive Director (Civil)

(Kifayat Hussain Rizvi)
Managing Director

Management Replies to the Auditor's Report to shareholders for the year 2009-10

S.No	Auditor's Comments	Management replies
1.	We have audited the attached Balance Sheet of Jammu & Kashmir State Power Development Corporation Limited as at 31.03.2010, 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.	Needs no comments
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.	Needs no comments
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	Replies furnished annexure-wise separately

	paragraph 4 & 5 of the said order to the extent applicable to the Company.	
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.	Needs no comments
	b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books.	Needs no comments
	c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Accounts.	Needs no comments
	d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956 except where otherwise stated.	Needs no comments
	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.	Needs no comments
	f) Attention is drawn to the following:-	

i) The opening balances have not been taken from Audited Accounts as on 31.03.2009 but in accordance with Note 1 to schedule 20 (II) on Notes to Accounts, whereby all the assets and liabilities have been factually re-determined or revalued resulting into a creation of Revaluation Reserve of Rs.429.91 crores with corresponding net increase in fixed assets of Rs.7224.37 crores; net reduction in capital work in progress & pre-operative expenses of Rs.5802.56 crores and net reduction in others (viz Capital Reserve, Inventory, Cash-Bank Balances, other Current Assets, Loan & Advances, Current Liabilities, Depreciation) of Rs.991.90 crores.

ii) Revaluation reserve has further been increased by Rs.722.52 crores by passing adjustment entries during the year to give effect to prior period items and to account for other heads correctly detailed as under:

Prior period expenses on account of Depreciation(By debit to P&L a/c) crores	*Rs.783.91*
Imprest A/c crores	*Rs. 0.08*
Inter Unit Accounts crores	*Rs. 0.11*
Rs. 784.10 crores	
Less: Land compensation payable	*Rs. 2.76*

The financial statements of the Corporation were being maintained on Cash Based Single Entry System of Accounting under which the funds were arranged by Central Office and disbursed to its thirteen (13) disbursing units i.e. Corporate Offices and CP&AOs/ P&AOs Offices disbursing the funds to divisions falling under their jurisdiction and looking after the concerned Power Houses according to their needs/allocation. These Central Office, Corporate Offices and CP&AOs/ P&AOs Offices were maintaining their separate books of accounts and trial balances/cash statements on Cash Based Single Entry System of Accounting under which no assets and liabilities were being brought forward from the previous year. The final balance sheet of the Corporation was being prepared by consolidating the said trial balances/cash statements and adding there in the opening balances of all assets and liabilities as per the previous balance sheet. In addition to that the provisioning of few required expenses was made at the year end to make the financial statements on accrual basis. All the exercise of consolidation was being made manually on excel sheet and proper General ledger was not being maintained to draw the consolidated balance sheet.

As a result of the implementation of the ERP based Double entry system of accounting with effect from the FY 2009-10 onwards, opening Balance sheet of FY 2009-10 has been redrafted on the basis of following, in spite of fact that they had been audited :-

1. The assets of the JKPDD amounting Rs. 916.55 crore was transferred to JKSPDC at a token payment of Rs. 1 vide letter no. PDD/AC/II/99 dated 29.10.1999 which were required to be revalued.
2. The SERC in its tariff order for the FY 2008-09 issued vide no. J&K/SERC/21 of 2009 dated 31.03.2009 had directed to determine the capital cost of 11 old HEPs and preparation of audited Project Completion Reports of 8 new HEPs through an independent consultant.
3. As such the assets and liabilities of the Corporation as on March 31, 2009 was worked out properly and reflected in the opening Balance sheet of FY 2009-10. These assets and liabilities have been determined/ revalued with the help of the followings:
   1. Valuation/certification of fixed assets of 19 power houses as per Valuation

<table>
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crores

Deposits *Rs.* *0.01 crores*

Advance to NHPC in respect of Baglihar project after final settlement *Rs.* *58.81crores*

Rs. *61.58 crores*

Net effect *Rs.722.52 crores*

iii) Read with Note 23 to Schedule 20(II) on Notes to Accounts, the balances due towards sundry creditors, deposits received and other liabilities under head Current Liabilities (Schedule 11 of Annual Accounts) are not confirmed, though in view of management the impact on accounts shall not be material.

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Report/Certification of S. R. Botliboi Consultants Pvt. Ltd in compliance to SERC directions.

II. Annual Trial Balances/Cash Statements of each Central Office, Corporate Offices and CP&AOs/ P&AOs till March 31, 2009.

III. Details of all assets and liabilities, a part from the fixed assets register as at March 31, 2003, taken from Central Office, Corporate Offices and CP&AOs/ P&AOs Offices including their divisions.

IV. All relevant records and information in case of Baglihar Hydro Electrical Project.

V. Books of accounts prepared on accrual based double entry system of accounting for the financial year 2009-10.

VI. Use of various relevant information, estimates and assumptions to the extent they were necessary.

According to the above exercise the required adjustments have been made to get the redrafted balance sheet for the financial year ended March 31, 2009. The balancing figure, arisen in the process of redrafting the balance sheet, has been credited to the Revaluation Reserve Account amounting to Rs. 429.91 Crores and it has been treated as Specific Reserve not available for distribution to the shareholders. The said reserve may be utilized or adjusted with the coming years additions/deletions in the assets or liabilities pertaining to the prior period as the Corporation is under implementation of double entry (accrual based) system from single entry (cash based) system of accounting. The total revaluation reserve has been sub divided into revaluation reserve-fixed assets and revaluation reserve-others amounting to Rs.1,421.81 Crores and Rs. 991.90 Crores (Negative) respectively. As the financial statements of the Corporation for the Financial Year 2008-2009 have been audited, the income and expenses of the Corporation have not been changed /modified. However the assets and liabilities of the Corporation have been redrafted or modified as on March 31, 2009 and they have been taken as opening balances into the ERP System of accounting for the financial year 2009-10. To get the said assets and liabilities (Opening balances), the required adjustments were made **(Adjustments made are enclosed as**

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iv) Capital Reserves under the head 'Reserves & Surplus' includes a sum of Rs. 199.34 crores which used to be a Bridge Loan from The Jammu & Kashmir Bank Ltd. and stated to be repaid by State Govt. by the management. However, no evidence with regard to same has been furnished to us.	Annex VI) The JKSPDC had raised Bridge loans between the years 2002-03 to 2004-05 amounting to Rs. 1150 crore. All these bridge loans have been repaid/ adjusted and this has been certified by the J&K Bank as per the statements placed as ***Annexure VII*** and at present there is no issue as such regarding the bridge loan adjustment/repayment. As pointed out by the Statutory Audit, an amount of Rs. 199.34 crore was being reflected in the Balance sheet since 2006-07 as bridge loan. A bridge loan of Rs. 200 crores was sanctioned vide J&K Bank letter vide no.JKB/CAD/J-461/2005 dated 31.03.2005 and as per the sanction letter, loan was to be adjusted from the Plan funds to be released by the State Government in favor of the Corporation for FY 2005-06. Accordingly the loan was adjusted on 18.04.2006. However, book adjustment was not made in the accounts of the Corporation. The balance as per books of the Corporation under bridge loan since 2006-07 was Rs. 199.34 crore and was adjusted by transfer to Reserves and Surplus in 2009-10. The year wise position of the Bridge loan a/c as reflected in Balance sheet since 2004-05 is depicted as below:-

Position of Bridge loan as per Audited Balance sheets

S.NO		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	**Opening**	203	593.9	400.09	199.34	199.34	199.34
2	**Addition**	792.67	6.19	0	0	0	0
3	**Adjusted**	401.77	200		0	0	199.34
4	**Conversion to term loan**			200.75			0
5	**Closing**	593.9	400.09	199.34	199.34	199.34	0

	v) *The loss of this current year is overstated by Rs. 791.29 crores as the following prior period expenses are debited in Profit & Loss account of the current year:* *a) Prior period expenses on account of Depreciation Rs. 783.91 crore* *b) Debenture Fee on IPP Rs. 0.16 crore* *d) Income tax for Asstt. Year 2008-09 & 2009-10 Rs. 7.22 crore* *Total Rs. 791.29 crore*	Same reply as mentioned for point F (i) to (iii) above
	vi) *Inventories amounting to Rs. 173655507/- reflected in schedule 6 of 'Balance Sheet' 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. Further it is the opening balance of last year and nothing has been shown as purchased or consumed during the year. Read with Note 5 to Notes to Accounts, the Accounting Standard-2 issued by ICAI has not been complied with.*	JKSPDC has implemented the Double entry conversion project w.e.f 2009-10 and collected various information. As a result, figure for inventory was taken in the balance sheet for the first time. However the company continued to charge the concerned project/scheme in respect of purchases made during the year as was the last practice. Therefore the figures taken in the Annual accounts remained the same even for the subsequent years. The corresponding credit was to Revaluation Reserve. However the same shall be adjusted/accounted for in the subsequent year (s).
	vii) *The balance outstanding from debtors, Power Development Deptt. of J&K Govt. and Power Trading Corp . amounting to Rs.992,42,17,887 & Rs. 31,97,56,858 Respectively is unconfirmed*	The reconciliation with PTC has been completed for the year 2009-10. The year wise balances have been communicated to JKPDD from time to time but confirmation of balances is awaited from the department. The Administrative Department vide letter no PDD/II/Ac/51/2012 dated 24.01.2013 has directed the Chief Engineer Commercial and Survey Wing to confirm the outstanding on account of sale of power.

	viii) 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 debtor to that extent.	Since the principal amount of Rs. 1073.03 crore was outstanding from JKPDD and there is significant uncertainty in the collection of surcharge on delayed settlement of bills of energy, it was not accounted for in the profit and loss account. As per the Accounting standard 9 on the Revenue Recognition, if at the time of rendering of services or sale there is significant uncertainty in ultimate collection of revenue, then the revenue recognition is postponed and in such cases revenue recognition should be recognized only when it becomes reasonably certain that ultimate collection will be made.
	ix) Read with Note 6 to Notes to Accounts, the Accounting Standard -15 issued by ICAI has not been complied with.	Accounting standard 15 pertains to the Retirement Benefits. As most of the employees of the Corporation are on deputation from the State Government, nothing was provisioned on account of Retirement Benefits in the annual accounts. However, provision has been made in the subsequent years. The matter regarding adoption of a policy for retirement benefits for the employees of the Corporation was placed before the BODs in its 68th meeting which has been approved and provision for the same shall be made accordingly.
	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 thereon but because of attention drawn above, although give the information required by the Companies Act, 1956, in the manner so required yet do not*	This observation of the auditors is in contradiction to their comment given in the point 4 (b), (c) and (d) where it has been mentioned that the proper books of accounts as required by law have been kept by the company and the financial statements dealt with this report are in agreement with the Books of Accounts and give all

	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 2010; and ii) in the case of Profit and Loss account of the loss of the Company for the year ended on that date.	necessary information as required by the Companies Act. The observation of the statutory auditors on opening balances of the year 2009-10 in point f (i) has been replied above, The opening balances were redrafted for switching over from Single entry cash based accounting system to accrual based double entry of accounting and the corresponding effect has been made to the Revaluation reserve. Thus this generalized opinion of the Auditors is not tenable in sofar as no reasons thereof have been given by the audit. The qualification is denied.
(i)	ANNEXURE-I TO THE AUDITOR'S REPORT a) The Company has 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.	Needs no Comments Fixed Assets Registers are maintained at Division/unit level. These reports are available for inspection by the auditors. Needs no comments
(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.*	The annual verification of stores has been made mandatory and reports generated are available.

	(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 spare 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.	Agreed Agreed

(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.*	The internal audit is being conducted by the team headed by GM (Accounts) Jammu/Srinagar for Jammu and Srinagar offices respectively and reports generated are available. As regard to annual verification of stores and inventory, it has been made mandatory. Further as a part of restructuring of the JKSPDC due emphasis is being given to address shortcomings, if any, in the internal audit wings to make them efficient and effective.
(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.	Agreed
(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.	Agreed
(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.*	Explained against point no. (iv) above.
(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.*	Audit observation noted and procedure in this regard as proposed is considered for adoption.
(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.***	Agreed All records are available in the Corporate office.
(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. We further report	

	that the Company has not issued debentures during the year.	
(xii)	The Company has granted mobilization Advance to contractors. However no advance has been made on the basis of security by way of pledge of shares, debentures and other securities.	Needs no comments.
(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.	Needs no comments.
(XX)	The Company has not raised any money by public issues.	
(xxi)	In view of our observation on 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.	

Management Replies to the CAG comments on the Annual Accounts of JKSPDC for the year 2009-10

<table>
<tr><th>S.No</th><th>CAG Comments</th><th>Management replies</th></tr>
<tr><td>1.</td><td>Source of Funds
Current Liabilities and Provisions
Provisions- NIL
The above does not include provision for expenditures incurred in the month of April 2010 pertaining to the financial year 2009-10 i.e upto 31 March, 2010 in respect of "Contractors payment to various contractors amounting Rs. 2.42 crore.
This has resulted in understatement of current liabilities as well loss by RS. 2.42 crore.</td><td>The Bills received from various Contractors are duly passed for payment by the Passing Authorities before accepting its liability towards the Company. As such, Bills are only accounted for in the Books of Account after it is passed for payment and accepted as liability. For example :- Contractors payment of Rs. 1.76 crore on account of BHEP-II due in April, 2010 could not have shown as liability ending March, 2010 of the preceding year.</td></tr>
<tr><td>2.</td><td>Contingent Liabilities {Notes to the Account-10 (a)}
The Company has seven pending cases of Arbitration as on 31st March 2010 involving an amount of RS. 1.17 crore for which details are required to be depicted in the Notes to Accounts as per provision of Accounting Standard 29 which has not been complied with. This has resulted in deviation from the requirement of Accounting Standard.</td><td>The details are contingent/future liabilities available with the Corporation and shall be appropriately reflected in the Annual Accounts in the subsequent years.</td></tr>
<tr><td>3.</td><td>General
Bank balances as on 31st March 2012 as depicted in Balance sheet are different from the balances appearing in the ledger as detailed below:-
<table>
<tr><th>S.No</th><th>Bank Account No.</th><th>Balance as per Balance sheet</th><th>Balance as per Ledger</th><th>Difference</th></tr>
<tr><td>1</td><td>JK Bank-0213010200000109-CP& AO Baramulla</td><td>19402846</td><td>6670191</td><td>12732655</td></tr>
<tr><td>2</td><td>JK Bank-0216010100001365-CP& AO Srinagar</td><td>8668171</td><td>7538607</td><td>1129564</td></tr>
</table></td><td>Annual Accounts have been generated and prepared from the Books of Account maintained under IFS-ERP Computerized System and the Balance as per the Ledgers are the same as reflected in the Balance Sheet and duly reconciled with the Bank Statements.
Balances shown as per legder in the query pertain to the balance in the manual ledger maintained by the field offices (CP&AO) of the Corporation and the difference is on account of funds under transit at the ends of the financial years. The difference to that extent stands reconciled.</td></tr>
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Annex IV

CHARTERED ACCOUNTANTS

GUPTA
GUPTA
AND
ASSOCIATES

JAMMU 800
Ph. : (0191)-24721

AUDITOR'S REPORT

To The Members

1. We have audited the attached Balance Sheet of Jammu & Kashmir State Power Development Corporation Limited as at 31.03.2010, 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.

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 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 in agreement with the Books of Accounts.

d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956 except where otherwise stated.

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) Attention is drawn to the following:

i) *The opening balances have not been taken from Audited Accounts as on 31.03.2009 but in accordance with Note 1 to schedule 20 (II) on Notes to Accounts, whereby all the assets and liabilities have been factually re-determined or revalued resulting into a creation of Revaluation Reserve of Rs.429.91 crores with corresponding net increase in fixed assets of Rs.7224.37 crores; net reduction in capital work in progress & pre-operative expenses of Rs.5802.56 crores and net reduction in others (viz Capital Reserve, Inventory, Cash-Bank Balances, other Current Assets, Loan & Advances, Current Liabilities, Depreciation) of Rs.991.90 crores.*

ii) *Revaluation reserve has further been increased by Rs.722.52 crores by passing adjustment entries during the year to give effect to prior period items and to account for other heads correctly detailed as under:*

Prior period expenses on account of Depreciation(By debit to P&L a/c)	*Rs.783.91 crores*	
Imprest A/c	*Rs. 0.08 crores*	
Inter Unit Accounts	*Rs. 0.11 crores*	*784.10 crores*
Less: Land compensation payable	*Rs. 2.76 crores*	
Deposits	*Rs. 0.01 crores*	
Advance to NHPC in respect of Baglihar project after final settlement	*Rs. 58.81crores*	*61.58 crores*
Net effect		*722.52 crores*

iii) *Read with Note 23 to Schedule 20(II) on Notes to Accounts, the balances due towards sundry creditors, deposits received and other liabilities* *under head Current Liabilities (Schedule 11 of Annual Accounts) are not confirmed, though in view of management the impact on accounts shall not be material.*

iv) *Capital Reserves under the head 'Reserves & Surplus' includes a sum of Rs. 199.34 crores which used to be a Bridge Loan from The Jammu & Kashmir Bank Ltd. and stated to be repaid by State Govt. by the management. However, no evidence with regard to same has been furnished to us.*

v) *The loss of this current year is overstated by Rs. 791.29 crores as the following prior period expenses are debited in Profit & Loss account of the current year:*

a) Prior period expenses on account of Depreciation	*Rs. 783.91 crores*
b) Debenture Fee on IPP	*Rs. 0.16 crores*
c) Income tax for Asstt. Year 2008-09 & 2009-10	*Rs. 7.22 crores*
Total	*Rs. 791.29 crores*

vi) *Inventories amounting to Rs173655507/- reflected in schedule 6 of 'Balance Sheet' 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. Further it is the opening balance of last year and nothing has been shown as purchased or consumed during the year. Read with Note 5 to Notes to Accounts, the Accounting Standard-2 issued by ICAI has not been complied with.*

vii) *The balance outstanding from debtors, Power Development Deptt. of J&K Govt. and Power Trading Corp . amounting to Rs.992,42,17,887 & Rs. 31,97,56,858 Respectively is unconfirmed*

viii) *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 debtor to that extent.*

ix) *Read with Note 6 to Notes to Accounts, the Accounting Standard -15 issued by ICAI has not been complied with.*

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 thereon but because of attention drawn as per para 4(f) above, although give the information required by the Companies Act, 1956, in the manner so required yet do not give a true and fair view in conformity with the accounting principles generally accepted in India:*

GUPTA GUPTA & ASSOCIATES CHARTERED ACCOUNTANTS

i) in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2010, and

ii) in the case of Profit and Loss account of the loss of the Company for the year ended on that date.

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

Place : Jammu
Dated : 28.07.2012

GUPTA GUPTA & ASSOCIATES CHARTERED ACCOUNTANTS

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

<u>**ANNEXURE –1 TO THE AUDITOR'S REPORT**</u>

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

(i) a) The Company has 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.

GUPTA GUPTA & ASSOCIATES CHARTERED ACCOUNTANTS