#### H.P. POWER TRANSMISSION CORPORATION LIMITED, SHIMLA-2

#### NOTE ON ACCOUNTS FORMING PART OF BALANCE SHEET

## (A) SINGINIFICANT ACCOUNTING POLICIES

#### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

<u>Accounting Convention</u> - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and applicable accounting standard in India. The financial statements adhere to the relevant presentation requirement of the Companies Act, 1956.

#### 2. FIXED ASSETS

2.1 Fixed assets are shown at historical cost less accumulated depreciation. The cost includes any

cost attributable of bringing the assets to its working condition for its intended use.

2.2 The addition to fixed assets are being capitalized on the basis of bills approved.

## 2.3 Capital Work In Progress -

- (i) Capital Work in Progress in respect of 220 KV Double Circuit Line from Kashang Bhaba Project is capitalized on the Basis of Bills already approved and paid by HPSEB to various contractors who have worked on the project & corporation has considered title to the project in accordance with the MOU dated 06.04.09 between HPPCL & HPPTCL.
- (ii) Capital Work in Progress in respect of Sawara Kuddu Project is capitalized on the basis of Bills approved and allocation of proportionate salary and other expenditure specifically related to this project.
- (iii) Capital work in progress for installation of 132kv power transformer at Malana is capitalized on the basis of material received & bills approved.
- (iv) Capital work in progress for construction of 220 kv S/C Transmision line on D/C tower from Palchan to Prini is capitalized on the basis of bills approved.

## 3. DEPRECIATION

Depreciation on assets is provided on pro-rata basis on written down value method at the rates

Prescribed in the schedule XIV of the Companies Act, 1956 on those assets which have been put into use in the Financial Year.

Depreciation on assets purchased during the year up to Rs.5000/- is provided @ 100 %

Depreciation on expenditure on leased assets is provided over a period of lease following even

spread method.

## 4. RETIREMENT BENEFITS

- 4.1 In respect of defined contribution scheme like provident fund in respect of employees on deputation, respective contributions are remitted to their parent organization on accrual basis.
- 4.2 Since all Employees of the Corporation as on Balance Sheet date are on deputation, it is not possible for the corporation to calculate actuarial valuation of leave encashment, gratuity and other retirement benefits payable to employees on deputation & therefore corporation will not be able to follow Accounting Standard AS-15 "Accounting for Retirement Benefits" issued by the Institute of Chartered Accountants of India.

## 5. **BORROWING COST**

The specific Borrowing cost related to specific fixed assets/projects is capitalized to specific asset.

## 6. TAXES ON INCOME:-

Tax on income for the current period is determined on the basis of Various judgments of Honorable Courts that income earned during construction period is not taxable and accordingly no current Tax liability is determined.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date and since as on balance sheet date no such timing difference as such exist & hence there is not any deferred tax liability or asset.

#### 7. PROVISIONS AND CONTINGENT LIABILITIES:

A provision is recognized when the corporation has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognized but are disclosed in the schedule of contingent liability on the basis of judgment of the management/independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

## 8. PRELIMINARY & PRE-OPERATIVE EXPENDITURE

The Corporation has not yet commenced its commercial operations. Expenditure incurred during construction period including Depreciation on Fixed Assets has been treated as incidental and capital expenditure during construction period and such expenditure are shown net of preoperative income. Further expenditure incurred on filling/ legal fees regarding formation of the Corporation and all expenses incurred prior to the incorporation of the corporation have been treated as Preliminary expenses in the previous year. No provision has been made for write off of preliminary expenses during the year. The same will be written off after commencement of operations of the Corporation.

## 9. CHANGE IN ACCOUNTING POLICIES, METHODS & ASSUMPTION

During the year corporation has changed its Accounting assumption from calculating Income Tax Provision on the basis of prevailing Tax laws to calculate Income Tax provision on the basis of various judgments given by Honorable courts.

## (B) NOTES TO THE ACCOUNTS

1. Contingent Liabilities not provided for in respect of:

As on

As on

31.03.10

31.3.09

(Rs. In Lacs) (Rs.

In Lacs)

(a) Estimated amount of contract **0.00** 

3 27

remaining to be executed on capital account (net of advances)

(b) Any other contingent liability **0.00** 

0.00

pending in appeals based

On judicial pronouncement and/or

Legal opinion and other matters.

(c) In respect of cess on turnover or gross receipt of corporation U/S 441 A of Companies Act, to be levied @ not less than 0.005% and not more than 0.1% on the value of the annual turnover or gross receipt whichever is higher. No

provision has been made as the cess rate & the date from which it is applicable has not been notified so far by the Govt. Though no such notification has been issued so far, the Corporation may have to pay cess minimum of Rs. 766.00 (Rupees Seven Hundred Sixty Six only)(Previous year Rs.108.00(One Hundred Eight) and maximum of Rs. 15331.00 (Rupees Fifteen Thousand Three Hundred & Thirty One only)(Previous Year Rs. 2162.00) if levied from the financial year 2008-09 being corporation is incorporated in the financial year 2008-09.

2. Additional information required as in Part II of Schedule VI

(Rs.in lacs)

(KS.III Iacs)			
	Year	Year	
	Ended	Ended	
	31.03.2010	31.03.2009	
Expenditure in Foreign Currencies (Actual			
outgo):			
- Interest on borrowings	0.00	0.00	
- Commitment Charges	0.00	0.00	
- Foreign Traveling	0.00	0.00	
- Capital Expenditure	0.00	0.00	
TOTAL	0.00	0.00	
Earnings in Foreign Currencies:	0.00	0.00	
- Interest	0.00	0.00	
Auditors remuneration:			
-Statutory Audit Fee	0.22	0.17	
Tax Audit Fee	0.00	0.00	
Other Matters	0.00	0.00	
TOTAL	0.22	0.17	
Managerial Remuneration:			
- Salary and allowances	5.70	0.00	
- Contribution to PF and other funds	0.00	0.00	
Perquisites	0.00	0.00	
- Sitting fee to Directors	0.00	0.00	
TOTAL	5.70	0.00	

During the year ended, Managing Director Remuneration was paid w.e.f July,2009 to Dec. 2009 and Directors remuneration was paid w.e.f Feb. 2010 to March, 2010.

- 3. Provisions for Gratuity leave encashment, Sick leave and leave travel concession is not being made as all employees are on Deputation Basis and accordingly accounting standard AS-15 related to accounting for retirement benefits is not being applied.
- 4. Provisions of Accounting Standard (AS-19)
- (a) Financial Lease: NIL
- (b) Operating Lease: The Corporation has taken office premises under operating lease with varying lease periods and disclosure requirements are as under:

Period	Current Year (Rs. In lacs)	Previous Year 2008-09 (Rs. In lacs)
Total of future minimum lease payments ( Gross Investment)	18.75	10.96
Maturity profile of total of future minimum lease payments  Not later than one year	18.75	10.96
Later than one year but n ot later than five year	0.00	0.00
Later than five year TOTAL	0.00 <b>18.75</b>	0.00 <b>10.96</b>

- 5. Since, during the year ended 31.03.2010 corporation is not having any Distributable Profits, Earning per share (Basic & Diluted) is **NIL**.
- During the year, the corporation has entered an MOU with HP Power 6. Corporation Limited where it is agreed between the two undertakings that the Total Expenditure of Rs. 69,21,40,000.00 (Rupees Sixty Nine crores Twenty One Lacs & Forty Thousand only) incurred on the construction of 220KV Double Circuit Transmission Line from Kashang to Bhaba to evacuate power upto March 2009 (includes expenditure of Rs. 65,67,74,000.00 (Rupees Sixty Five crores Sixty Seven Lacs & Seventy Four Thousand only) made by HPSEB, expenditure of Rs. 60,88,000.00 (Rupees Sixty Lacs & Eighty Eight Thousand only) made by KKPCL & expenditure of Rs. 2,92,78,000.00 (Rupees Two crores Ninety Two Lacs & Seventy Eight Thousand only) made by HPPCL) will be handed over to the Corporation by Himachal Pradesh Electricity Board after completion & thereafter for Running & Maintenance of the said Transmission Line but the MOU in this regard between Corporation & HP State Electricity Board is yet to be executed & signed. As on Balance Sheet Date, the corporation has already made investment of Rs. 7,79,75,108/- (Rupees Seven Crore seventy nine lac seventy five thousand one hundred eight) on this Transmission in terms of this MOU.
- 7. In respect of capital work in progress for Kasang Bhaba Project, all Bills, Records & the complete work account is maintained by senior Executive Engineer, Transmission Division, HPSEB only and submitted the photocopies of bills of Rs 5,45,59,549.00 only in this regard and HPSEB has not submitted the copy of bills worth Rs.1,42,77,700.00. One payment of Rs. 52,80,226.00 is made directly by corporation to contractor which is subject to confirmation from HPSEB.
- 8. During the year interest on unsecured loan of Rs 36,89,140 (Thirty six Lac eighty nine Thousand one Hundred & forty only) is capitalized and added to the capital work in progress of Kashang Bhaba project being specific borrowing cost of the project.
- 9. Based on information available with the corporation, there are no suppliers/service providers who are registered as Micro, Small and Medium undertakings under "The Micro, Small and Medium Enterprises Development Act 2006" as on 31<sup>st</sup> March, 2010 hence the corporation has no outstanding liability towards Micro, Small and Medium Enterprises.

- 10. Fixed assets possessed by the corporation are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by Accounting Standard (AS-28) "Impairment of Assets". As on 31<sup>st</sup> March 2010, there were no events or change in circumstances, which indicate any impairment in the assets.
- 11. The Corporation has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India except AS-15 of Retirement Benefits & AS-22. "Accounting for Taxes on Income."
- 12. During the period ended 31.03.10, corporation has earned interest income of Rs. 1,28,80,767.39 (Rupees Twenty One crore twenty eight lac eighty thousand seven hundred sixty seven & paisa thirty nine only) on which TDS of Rs. 16,18,046.00 (Rupees Sixteen Lacs Eighteen Thousand forty six only) has been deducted by the bank.
- 13. Since corporation is yet to start commercial operation, segment reporting is not applicable.
- 14. During the year on the basis of various judgment delivered by the Honerable courts regarding non taxability of interest earned during the construction period the Corporation has revised its income tax return for the financial year 2008-09 and claim the complete refund of Rs.768605/-and accordingly the income tax provision of Rs.6,72,500/-is written back in the current year and credited to Profit & Loss account. On the same basis corporation has not created any provision for current year income tax liability of Rs. 40,14,250. Had there been not any change in Tax Calculation policy the Pre operative expenditure of the corporation would have been higher by Rs. 46,86,750, current liabilities would have been higher by Rs. 40,14,250.00 as income tax provision & current assets would have been lower by Rs. 6,72,500.00 as income tax refunded claimed.
- 15. During the year corporation has accepted the share application money of Rs. 45,70,00,000/-(forty five crores & seventy lacs only) and as on balance sheet date the total share application money is Rs. 56,70,00,000/-(Fifty six crores seventy lacs only) against total authorized capital of Rs. 5,00,000/-(Five crores only) & corporation is still under process of increasing the authorized capital.
- 16. Rs.4,28,419.00(Rupees Four Lac Twenty Eight Thousand four Hundred Nineteen only)has been spent on survey of Sawara Kuddu line which has been done on behalf of HP Power Corporation Ltd. and salary of staff of Corporation Rs.218853/- and other expenditure of Rs.7736/-is allocated to this line which is subject to confirmation from HP power Corporation Ltd.
- 17. The pay revision of the employees of the Corporation is due & accordingly lumpsum provision of Rs. 25,00,000/-(Twenty five lacs only) is made in profit & loss account for salary arrear payable to employees.
- 18. During the year there is prior period adjustment of Rs. 31,220.00/-(Thirty one thousand two hundred twenty only) on a/c of short provision of rental expenditure in earlier year which is taken under establishment expenses of current year.

- 19. Outstanding balance in share application money of Rs. 56,69,00,000/- (Rupees Fifty Six Crores and Sixty Nine Lacs only), imprest cash balance of Rs. 3,100.00 (Rupees Three Thousand One Hundred only), Rs. 26,540.00 (Rupees Twenty Six Thousand Five Hundred and Forty only) in accounts receivable and Rs. 1,14,03,892.00 (Rupees One Crore Fourteen Lacs Three Thousand Eight Hundred and Ninety Two only) are subject to confirmation & reconciliation.
- 20. Previous year figures have been given and re- arranged where ever required but the same are not comparable being previous year figures are only from 27.8.2008 to 31.3.2009.
- 21. Balance sheet abstracts and Corporation's General Business profile as per Part IV of Schedule VI of the Companies Act, 1956 is enclosed as per appendix.

Bala Ram Thakur Er. V.K Tarun Kapoor IAS
Sr. Accounts Kaprete Managing
Officer Director (P&C) Director

As per our report of even date attached For M/S CHANDER SAREEN & ASSOCIATES (Chartered Accountants)

Place:Shimla Date:

(Deepak Pherwani) Partner M.No.98149 Regd. No. 8478N

Pocket H-34/147 IIND FLOOR, SECTOR-3, ROHINI, DELHI - 85 M.No. - 9810996308

H.O.: Highland Estates, Near Railway Station, Shogee, Shimla

## **AUDITORS' REPORTS**

TO THE MEMBERS OF H P POWER TRANSMISSION CORPORATION LTD. BAROWALIA HOUSE KHALINI SHIMLA

- (A) We have audited the attached Balance Sheet of HP POWER TRANSMISSION CORPORATION LTD. as on 31<sup>st</sup> March, 2010 and also the Pre-operative Income & Expenditure Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- (B) 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 from material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statement. 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.
- (C) As required by the Companies (Auditor's Report) Order, 2003 ('Order') and the Companies (Auditor's Report) Amendment Order, 2004 issued by the Central Government of India in term sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said order to the extent applicable to the corporation.
- (D) Without Qualifying our opinion, Attention is invited to:-

With Regard to capital work in progress for Kashang Bhaba Project OF Rs. 7,79,75,108.00 in terms of MOU dated 09.04.09 between HPPCL & HPPTCL (refer note A-2.3 & B-6 of Schedule XIII), all Bills, Records & the complete work account is maintained by Senior Executive Engineer, Transmission Division, HPSEB only and submitted the photocopies of bills of Rs 5,45,59,549.00 only in this regard, and HPSEB has not submitted the copy of bills worth Rs 1,42,77,700.00. Corporation has made one direct payment of Rs. 52,80,226.00 to one contractor for the project which is subject to confirmation from HPSEB.

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- (E) Further, to our comments in the 'Annexure' referred to above, we report that:
- (i) Though corporation is yet to start its commercial activities, but in construction period itself corporation has given loans & advances for capital expenditure & also having liabilities for expenditure but as on 31.03.10 o/s balances of Rs. 5669.00 Lacs in Share Application Money Account, Rs. 0.03 Lacs in Cash & Imprest Balances, Rs. 0.27 Lacs in Account Receivables & Rs. 114.04 Lacs in Account Payables are subject to confirmation and reconciliation.

(Refer item B-19 relating to Notes to the Accounts of Schedule XIII)

The effect of item above on the Corporation's accounts is not ascertainable for the reasons

explained in the respective note.

- (ii) During the year the corporation has changed its accounting assumption with retrospective effect from financial year 2008-09 in contravention to Accounting Standard AS-22 "Accounting for Taxes on income"from calculating current year Income tax liability on the basis of prevailing tax laws to calculate current tax liability on the basis of various judgments given by honorable courts resulting there in short provision of current year tax liability of Rs. 4014250.00 and overstatement of Income Tax refund claimed for F.Y. 2008-09 under head of current assets by Rs. 672500.00 & under statement of pre-operative expenditure of Rs. 4686750.00 (Forty six lacs eighty six thousand seven hundred fifty only).
- (F) Further to above, we report that:
- (i) We have obtained all the information and explanation, which to the best of our knowledge and

beliefs were necessary for the purpose of our audit.

- (ii) In our opinion, proper books of accounts as required by the law has been kept by the corporation so far as appears from our examination of those books.
- (iii) The Balance Sheet, Pre -operative Income & Expenditure Statement dealt with by this reports are in agreement with the books of accounts.
- (iv) In our opinion, the Balance Sheet, Pre -operative Income & Expenditure Statement comply with the requirements of the Accounting Standard referred to in section 211(3C) of the Companies Act, 1956, except AS 15, related to Retirement Benefits of Employees. (Refer item A-4 & B-3 relating to Notes to the Accounts of Schedule XIII) and AS-22 related to "Taxes on Income" (Refer item A-6 & B-14 relating to Notes to the Accounts of Schedule XIII).

## CHANDER SAREEN & ASSOCIATES

## CHARTERED ACCOUNTANTS

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(v)	Since the	corporation	on is a	Government C	Corpora	ation, c	lause (g) of	sub-section	n (1) of
section	1	274	of th	e Companies	Act,	1956	regarding	obtaining	written
represe	entations from	om directo	ors of						

the corporation, is not applicable to the corporation in terms of Notification No. G.S.R. 829(E), dated 21.10.2003.

- (vi) The corporation is not required to make any payment of cess as no notification has been issued by the central government specifying the rate of levying of cess under section 441A of the Companies Act, 1956 till 31<sup>st</sup> March 2010.
- (vii) Subject to our observations as stated in Para E(i) & E (ii) & Para F(iv) above, and in our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule No. XIII, give the information required by the Companies Act,1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of Balance Sheet, of the state of affairs of the Corporation as at 31<sup>st</sup> March 2010.
  - b) In the case of Pre -operative Income & Expenditure Statement, of the Net Expenditure for the year ended on that date.

FOR M/S CHANDER SAREEN & ASSOCIATES (CHARTERED ACCOUNTANTS)

(DEEPAK PHERWANI)
Partner
M.No. 98149
Firm Regd. No. 8478N

Place	:	

Date:

FOCKET H-34/147
IIND FLOOR, SECTOR-3,
ROHINI, DELHI – 85
M.No. – 9810996308

H.O.: Highland Estates, Near Railway Station, Shogee, Shimla

ANNEXURE REFERRED TO IN PARAGRAPH C OF THE AUDITOR'S REPORT TO THE MEMBERS HP POWER TRANSMISSION CORPORATION LTD.ON THE ACCOUNTS FOR THE YEAR ENDED MARCH, 2010

This is the Annexure referred to in our report on the balance sheet of HP POWER TRANSMISSION CORPORATION LTD., as on 31<sup>st</sup> March 2010.

Progress.

- (i) (a) The corporation has not maintained records showing full particulars including quantitative details and situation of fixed assets and Capital Work in
  - (b) During the Year, the Corporation has shown record related to verification of Fixed Assets at Corporate Office only, but, has not shown any Record related to Physical Verification of Fixed Assets at various divisions & Capital Work in Progress and since adequate Fixed Assets Register is not maintained, we are unable to comment whether any discrepancy was observed on physical verification of Fixed Assets at Corporate Office.
- (c) In our opinion, the corporation has not disposed off substantial part of its fixed assets during the period.
- (ii) The corporation has no inventory, therefore paragraph 4(ii) of the order is not applicable.
- (iii) (a) The corporation has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act, 1956.As the Company has not granted any loans, secured or unsecured, to parties listed in the register, maintained under section 301 of the Companies Act, 1956,the provision of clause 4(iii) (b) (c) and (d) of the Order are not applicable to the Company.
  - (b) The corporation has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act, 1956 except Loan of Rs. 4.77 crores taken from HP Power Corporation Limited (Maximum Outstanding during the year Rs. 6.26 crores) for which the particulars are yet to be entered in the Register. We further report that prima facie, the Terms & Conditions of such Loan are not pre-judicial to the interest of the company and as on Balance Sheet date, this loan is already adjusted.

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- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the corporation and the nature of the business with regard to purchase of inventories, fixed assets and for the sale of goods **except awarding of few contracts**. In our opinion, there is no continuing failure to correct major weakness in internal control.
- (v) (a) There are no Transactions that need to be entered in the register maintained in pursuance of Section 301 of the Act.
- (b) In view of 4(v) (a) above, Paragraph 4(v) (b) of the CARO is not applicable.
- (vi) Since the corporation has not accepted deposits from the public, paragraph 4(vi) of the order is not applicable.
- (vii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been commensurate with the size and nature of the corporation.
- (viii) We were informed that the maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956.
- (ix) Subject to Note No. A-6 & B-14 of the Schedule XIII of Accounting Policies & Notes to the Accounts related to current Income Tax, according to the records of the corporation, the corporation is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March 2010 for a period of more than six month from the date they become payable.

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M No -

9810996308

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- (x) The corporation does not have accumulated losses at the end of financial year. Further, the corporation has not incurred cash losses in the financial year and being the Corporation is still under Construction Period, all the expenses has been capitalized and transferred to Pre-operative Expenditure to be appropriated in Future.
- (xi) According to the information and explanation given to us and on the basis of our examination of books of accounts, the Corporation has not defaulted the Repayment of Dues to any Financial institutions or Bank or Debenture Holders.
- (xii) Since the corporation has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities, paragraph 4 (xii) of the order is not applicable.
- (xiii) Since the provision of special statute applicable to chit fund, nidhi or mutual benefits funds/ societies are not applicable to the corporation, paragraph 4 (xiii) of the order is not applicable.
- (xiv) Since the corporation is not dealing or trading in shares, securities, debentures or other investments and hence, paragraph 4 (xiv) is not applicable.
- (xv) As informed to us, the corporation has not given any guarantee for loans taken by others from banks and financial institutions.
- (xvi) During the year ended the corporation has taken Loan from HP Power Corporation for making Payments to Senior Executive Engineer, Transmission Division, HPSEB for project of 220KV Double Circuit Transmission Line from Kashang to Bhaba to evacuate power, all Bills, Records & the complete work account is maintained by Senior Executive Engineer, Transmission Division, HPSEB only and submitted the photocopies of bills of Rs 5,45,59,549.00 only in this regard, and HPSEB has not submitted the copy of bills worth Rs 1,42,77,700.00 and hence, we are unable to comment whether such Loan has been utilized for the purpose for which it was granted.
- (xvii) The company has not raised any fund on short term basis, therefore, paragraph 4(xvii) of the order is not applicable.
- (xviii) The corporation has not made any preferential allotments of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

## **CHANDER SAREEN & ASSOCIATES**

## **CHARTERED ACCOUNTANTS**

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- (xix) Since the corporation has not issued any debentures, paragraph 4(xix) of the order is not applicable.
- (xx) Since the corporation has not raised any money by way of public issue, paragraph 4 (xx) of the order is not applicable.
- (xxi) As informed to us, there has not been any fraud on or by the corporation noticed or reported during the year.

FOR M/S CHANDER SAREEN & ASSOCIATES (CHARTERED ACCOUNTANTS)

(DEEPAK PHERWANI)
Partner
M.No. 98149
Firm Regd. No. 8478N

Place:

Date:

#### HIMACHAL PRADESH POWER TRANSMISSION ORPORATION

A State Government undertaking)

Barowalia House Khalini, Shimla-171002.

## REPLY TO THE REPORT OF STATURORY AUDITOR FOR THE FINANCIAL YEAR ENDING 31.3.2010.

- (A) No. comments required.
- (B) No comments required
- (C) No comments required
- (D) The copy of bills worth Rs. 1,4277700-00 has been demanded from the Sr. Executive Engineer (T) Division HPSEB Bhaba Nagar & shall be produced to Auditors on there next visit to this office. This office has made one direct payment of Rs. 52,80,226.00 to one Contractor of the above project has been confirmed from the Sr. Executive Engineer (T) Division HPSEB Bhaba Nagar & have clarified that the payment of Rs. 52,80,226-00 has not been released by the HPSEB to concerned Contractor. The letter from the above Sr. Executive engineer relating non payment by the HPSEB has been handed over to the Statutory Auditors at the time of audit.
- (E) (i) Compliance shall will shown to the auditors during their next visit.
  - (ii) The matter has already been verified from the auditors during the audit and has been done accordingly.
- (**F**) (i) No comments required.
  - (ii) No comments required
  - (iii) No comments required
  - (iv) No comments required
  - (v) No comments required
  - (vi) No comments required.
  - (vii)(a&b) No comments required.

# REPLY TO THE ANNEUXRE REFRENCE IN PARAGRAPH C OF THE AUDITOR,S REPORT ON THE ACCOUNTS OF HP POWER TRANSMISSION CORPORATION LTD. FOR THE PERIOD ENDED MARCH, 2010.

- (I)(a) The record showing full particulars including quantitative details and situation of fixed assets and capital work in progress will be maintained and shall produced to the Statutory Auditors in their next to this Corporation.
- (b) The Divisional Offices are being instructed to carry out the physical verification of fixed assets/capital work in progress.
- (c) No comments required.
- (II) No comments required.
- (III)(a) No comments required
  - (b) No comments required
- (IV) No comments required
- (V) (a) No comments required
  - (b) No comments required

(VI) No comments required (VII) No comments required (VIIi) No comments required (IX) No comments required (X) No comments required (XI) No comments required (XII) No comments required (XIII) No comments required (XIV) No comments required (XV) No comments required (XVI) The Sr. Executive Engineer, Transmission Division, Bhabanagar has been asked to submit the copies of bills of Rs. 1,42,77,7000.00 in respect of payment of 220KV DC Transmission Line Bhaba to Kashang and the same will be produced during the next visit Statutory Auditors to this office. (XVII) No comments required. (XVIII) No comments required.

(XIX) No comments required.

(XXI) No comments required.

A. Accounts Officers, HPPTCL, Shimla-3.

## **H.P. Power Transmission Corporation Limited**

Reference: CAG Audit Memo bearing No. CW-06/PAG

(Audit)/HPPTCL/Accounts/ 2009-10/1 date: 21.12.2010

**BALANCE SHEET** 

**Current Liabilities and provisions (Sch.VII &VIII)** 

Provisions- Rs. 43.42 Lakh.

## Audit Memo

Above does not include an account of Rs. 22.50 Lakh payable to the Registrar of Companies on account of enhancement of authorized capital of the company from Rs.5 Crore to Rs.50 Crores as per resolution passed by the shareholders of the company in the Annual General Meeting held on 24.12.2009.

Non Provision of liability for enhancement of authorized capital has resulted in understatement of current liabilities and provisions as well as Miscellaneous Expenditure to the extent not written off to the tune of Rs.22.50 Lakh.

Comments, if any in the matter be furnished.

## Reply

In this regard it is stated that in the 9th meeting of Board of Directors held on 24.12.2009 had passed the resolution that the approval of the State Govt. be obtained for increasing Authorized share capital of the Company from Rs.5.00 Cr. to Rs.50. Cr. (Rs. Fifty Crore) only. Accordingly, the case for approval of the State Govt. was forwarded to Special Secretary (MPP& Power) to the Govt. of HP Shimla vide this office letter No. HPPTCL/Misc./2009-3094-95 dated 12.01.2009 but the approval of State Govt. was not received during the FY 2009-10 due to which the relevant documents could not be filed along with registration fee i.e. Rs.22,50,000/-. The BODs had specifically approved in the above said meeting that the fee may be deposited along with documents to increase the authorized share capital from Rs.5.00 Cr. to Rs. 50.00 Cr. and thus due to non approval of the Govt. neither the documents could be filed nor the above amount of fee was deposited in the FY 2009-10. Hence, there is no understatement of liabilities and provisions.

However, the same is being deposited during the current FY 2010-11.

**Sr. Accounts Officer,** HPPTCL, Shimla-2

## **H.P. Power Transmission Corporation Limited**

Reference:- CAG Audit Memo No. CW-06/PAG (Audit)/HPPTCL/A/c. 2009-10/2 date: 21.12.2010

# BALANCE SHEET APPLICATION OF FUNDS FIXED ASSETS

## Gross Block- Rs.58.91Lakh.

# Audit Memo Amount under above head of account has been understated by Rs.3.88 Lakh due to non inclusion of depreciation charged upto 31.3.09 in gross block as well as in depreciation of Rs.16.51 Lakh as shown in the Balance Sheet. This has resulted in understatement of gross block as well as depreciation to the extent of Rs.3.88 Lakh.

Similarly, in Sch. VI annexed to the Balance Sheet, Opening balance of the fixed assets under various heads of accounts as on 1.4.09, has been shown less by Rs.3.88 Lakh,as a result gross block on 31.3.10 should have been Rs.62.79 Lakh instead of Rs.58.91 Lakh.

Besides, previous year's Figures have not been shown below the schedule. Comments, if any in the matter be furnished.

## Reply

During typing the figure in the Balance Sheet as on 31.03.2010, the figures of gross block of previous year i.e. on 31.3.2009 has been typed as Rs.23,98,848.24 instead of Rs. 27,87,335.00 which is now being shown at the printing stage of Annual Report as Rs.27,87,335.00 against gross block of previous year. By this the figures of gross block of assets as well as depreciation will go up to Rs.62,79,829.00 & Rs.20,39,655.00 thereby complying with the audit observations.

It is further stated that the overall total of the approved balance sheet as on 31.3.2010 will remain the same i.e. Rs.57,13,72,935.88 and correction stated above will not impact the balance sheet total.

It is, therefore, requested that the para may please be dropped.

**Sr. Accounts Officer,** HPPTCL, Shimla-2

## **H.P. Power Transmission Corporation Limited**

Ref:- CAG Memo bearing No. CW-O6/PAG(Audit)/HPPTCL/A/C 2009-10/3 date; 21.12.2010

ANNUAL ACCOUNTING FOR THE YEAR 2009-10 ERRORS AND OMISSIONS

Sr. No	Audit observations	Reply
1.	Amount in Rs. Shown on the top of Balance Sheet should have been shown in brackets.	Compliance will be made before printing the Annual Report, 2009-10
2.	Unsecured loans (other than banks	
	Bracket of unsecured loans (other than banks) has not been closed in the Balance Sheet.	Compliance will be made before printing the Annual Report, 2009-10
3.	Miscellaneous Expenditure to the exte not written off.	Compliance will be made before
	The word exte shown in the above line should be "extent".	printing the Annual Report, 2009- 10
4.	Previous year's figures (Balance Sheet)	
	Gross block as on 31 <sup>st</sup> March, 2009 should have been Rs.27,87,335 instead of Rs.23,98,848.24.	As per reply submitted in respect of Para 2009-10/2 above(Pre-page)
5.	Share Capital Schedule-I	
	Sentence below (1) authorized and (II) issued, subscribed and paid up capital indicating previous years 5,00,000 equity shares and 1000 equity shares of Rs.100/- per share respectively is incomplete.	Compliance will be made before printing the Annual Report, 2009-10
6.	Fixed Assets(Schedule IV)	Compliance will be made before
	Amount in Rupees has not been indicated in the schedule.	printing the Annual Report, 2009- 10
7.	Pre-operative expenditure statement for the year ended 31 <sup>st</sup> March, 2010  Expenses  Payment to and provision for employees  The word employees are not appearing completely in the statement.	Compliance will be made before printing the Annual Report, 2009-10
8.	Business Profile	
	As the figures indicated are in thousands as indicated in the profile the amount in lakh indicated under item II & IV is not correct and should be deleted.	Compliance will be made before printing the Annual Report, 2009-10
9.	Private placement 5,67,000	
	There is no private placement, entire capital is contributed by H.P. Govt. and HPSEB, hence private placement should have been shown as nil.	Noted for compliance

10.	Performance of company	
	Profit/Loss after tax –(16888)	
	This figure should be (16880). As the Company has not started commercial production figures shown under this head are pre-operative expenses and income. Excess of expenditure over income has been transferred to Balance Sheet as such there is no profit/loss during the year.	The figure of Rs.16888 has been shown on the format devised in the Companies Act, 1956. However, the figure of Rs.16880 will be shown in the Annual Financial Report.
11.	Pre-operative expenditure statement for the year 31 <sup>st</sup> Mach, 2010	
	Balance of Rs.168,79,962.73 shown as carried to Balance Sheet should have been shown within brackets i.e. (168,79,962.73).	Compliance will be made before printing the Annual Report, 2009-10

**Sr. Accounts Officer,** HPPTCL, Shimla-2