

JAYPEE ARUNACHAL
POWER LIMITED

Board of Directors

Pankaj Gaur, Managing Director

Sunil Kumar Sharma

Shyam Datt Nailwal

Harish Kumar Vaid

Naveen Kumar Singh

Bhupinder Nath Sharma

Bankers/Lenders

Axis Bank Limited

State Bank of India

Registered Office

J A House 63, Basant Lok Vasant Vihar

New Delhi 110057

Corporate Office

Sector 128

NOIDA-201 304 (U.P.)

Auditors

R. Nagpal Associates

Chartered Accountants

New Delhi

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DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting the **Third Annual Report** together with the Audited Accounts of the Company for the year ended **31st March 2011**.

PROGRESS ON THE PROJECTS

Your Company is taking necessary steps to implement 2700 MW Lower Siang Hydro-Electric Project and 500 MW Hirong Hydro-electric Project in the State of Arunachal Pradesh. At present, your Company is a wholly owned subsidiary of Jaiprakash Power Ventures Limited (JPVL). JPVL alongwith its associates will ultimately hold 89% of the Equity and the balance 11% will be held by the Government of Arunachal Pradesh (GoAP).

For 2700 MW Lower Siang Hydro-Electric Project, CEA concurrence for Detailed Project Report and Defense clearance has already been obtained. Detailed Project Report for the Project has been concurred by Central Electricity Authority with the estimated completion cost of Rs. 19990.74 crores. The Company is in the process of obtaining clearance from the Ministry of Environment and Forest.

For 500 MW Hirong Hydro-electric Project, the Defense Clearance has been obtained. The Company is in the process of obtaining CEA concurrence for Detailed Project Report and clearance from the Ministry of Environment and Forest.

PHYSICAL PROGRESS

An amount of Rs 184 crore has been spent on the 2700 MW Lower Siang HE Project and around Rs. 23 crore has been spent on 500 MW Hirong H.E. Project till 31st July, 2011.

The first phase of the project i.e. 1500 MW is envisaged to be commissioned in 2016 and second phase i.e. 1200 MW in 2020.

SHARE CAPITAL

During the year under report the Authorised Share Capital of the Company has been increased from Rs. 200 crore to Rs 2000 crore.

The Paid-up Share Capital of the Company has increased from Rs. 162.50 Crores to Rs. 200 crores by issue/allotment of 37.50 crore equity shares of Rs. 10/- each.

DIRECTORATE

During the year under report, Shri Bhupinder Nath Sharma was appointed as an additional Director on the Board w.e.f. 1st September, 2010. Accordingly, he holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder along with a deposit of Rs. 500/- proposing his candidature for appointment as Director of the Company.

Shri Pankaj Gaur has been appointed as Managing Director of the Company for a period of five years w.e.f. 1st September, 2010 and he has agreed not to draw remuneration for the time being. He also holds the position of Joint Managing Director of Jaiprakash Associates Limited, holding company.

Shri Naveen Kumar Singh and Shri S.D. Nailwal, Directors shall retire by rotation and, being eligible, offer themselves for re-appointment.

AUDIT COMMITTEE

An Audit Committee has been constituted by the Board, consisting of Shri Sunil Kumar Sharma, Chairman, Shri S.D. Nailwal and Shri Harish K. Vaid Members, to meet the requirements of Section 292A of the Companies Act, 1956.

AUDITORS

M/s R. Nagpal Associates, Chartered Accountant, Auditors shall retire at the conclusion of ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. As required under Section 224(1B) of the Companies Act, 1956, the Company has obtained a certificate regarding their eligibility for re-appointment as Statutory Auditors of the Company.

FIXED DEPOSITS

The Company has neither invited nor accepted any deposit from public during the year under report within the meaning of Section 58A of Companies Act, 1956 & Rules made there under.

PARTICULARS OF EMPLOYEES

During the year under report, none of the employees was in receipt of remuneration prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The information required to be disclosed as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 with regard to conservation of energy and technology absorption is not applicable as the Project is under construction stage.

Further, there had been no foreign exchange earnings. Particulars of foreign exchange outgo are given in Schedule 'G' - Notes on Accounts under Note no. B (vi) (c).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management and after due enquiry, confirm in respect of the audited annual accounts for the year ended 31st March, 2011:

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed and that there were no material departures;
- ii) that the Directors had, in consultation with the Statutory Auditors, selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the period ended on 31st March, 2011;
- iii) that the Directors had 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) that the Directors had prepared the Annual Accounts on a going concern basis.

NOTES ON ACCOUNTS

The observations of Auditors and Notes on Accounts are self – explanatory.

ACKNOWLEDGEMENT

Your Directors wish to thank the Government of India, Government of Arunachal Pradesh, Central Electricity Authority and other departments/ authorities of the Central and the State Governments for their valuable support & continued co-operation to the Company.

On Behalf of the Board

Place: NOIDA
Date : 15th June, 2011

Pankaj Gaur
Managing Director

Sunil Kumar Sharma
Director

AUDITORS' REPORT

TO THE MEMBERS OF

JAYPEE ARUNACHAL POWER LIMITED.

We have audited the attached Balance Sheet of **JAYPEE ARUNACHAL POWER LIMITED** as at 31st March 2011 and the annexed Profit and Loss Account and Cash Flow Statement for the year ended on that date and Cash Flow Statement for the year ended 31st March 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. 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.

We report that:

- (1) As required by the Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of Section 227(4-A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to in paragraph 1 above:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of those books;
 - (c) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement referred to in this report, are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement referred to in this report, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of communication received from the directors, as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with significant accounting policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011, and
 - ii) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended 31st March 2011
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended 31st March 2011.
- (b) In our opinion the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (iii) The Company has not granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) Based on the audit procedures applied by us and according to the information and explanations given to us we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered into the register required to be maintained under that section. The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public during the year.
- (vii) We are of the opinion that during the period under observation, the Company had an internal audit system commensurate with its size & nature of its business wherein it was observed that all transactions are carried out under the personal supervision of senior officials/directors of the Company.
- (viii) As the Company is in the implementation stage, Clause (viii) of Para 4 of the Order is not applicable.
- (ix) (a) As per records produced before us and according to the information and explanations given to us the Company is generally regular in depositing undisputed statutory dues applicable to it like, Income-tax etc with the appropriate authorities, and there were no arrears of such dues at the year-end which have remained outstanding for a period of more than six months from the date they became payable.
(b) As per records produced before us and according to the information and explanations given to us there are no dues of Income-tax, Sales-tax, Customs duty, Wealth tax, Service Tax, Excise Duty or Cess which have not been deposited on account of any dispute.
- (x) As the Company is in the implementation stage, Clause (x) of Para 4 of the Order is not applicable.
- (xi) As the Company has not issued any debentures nor taken any loans from banks or financial institutions, Clause (xi) of Para 4 of the Order is not applicable.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/society. Hence, Clause (xiii) of Para 4 of the Order is not applicable.
- (xiv) In our opinion the Company is not dealing in or trading in shares, debentures or other investments. Accordingly, Clause (xiv) of Para 4 of the Order is not applicable.
- (xv) The company has not given any guarantee for loans taken by others from banks or financial institutions; hence Clause (xv) of Para 4 of the Order is not applicable.
- (xvi) The Company has not taken any term loans; hence Clause (xvi) of Para 4 of the Order is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we find that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) As the Company has not issued any debentures, Clause (xix) of Para 4 of the Order is not applicable.
- (xx) As the Company has not raised any money by way of public issues, Clause (xx) of Para 4 of the Order is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **R. NAGPAL ASSOCIATES**
Chartered Accountants
Firm Regn No.002626N

CA R. NAGPAL
Partner
M.No. 81594

Place : NOIDA

Dated :15th June 2011

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date on the accounts for the year ended 31st March 2011 of JAYPEE ARUNACHAL POWER LIMITED.

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) A substantial portion of the Fixed Assets have been physically verified by the management during the year and to the best of our knowledge and information given to us, no material discrepancies have been noticed on such physical verification.
- (c) Fixed assets disposed off during the year, are negligible so as to affect the Company as a going concern.
- (ii) (a) The Inventory has been physically verified by the management at reasonable intervals during the period.

For **R. NAGPAL ASSOCIATES**
Chartered Accountants
Firm Regn No.002626N

Place : NOIDA

Dated :15th June 2011

CA R. NAGPAL
Partner
M.No. 81594

BALANCE SHEET AS AT 31ST MARCH 2011

Particulars	Schedule	As at 31.03.2011 ₹	As at 31.03.2010 ₹
SOURCES OF FUNDS			
Share Capital	A	2,000,000,000	1,625,000,000
TOTAL SOURCES OF FUNDS		<u>2,000,000,000</u>	<u>1,625,000,000</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	B	23,243,661	14,177,673
Less: Depreciation		<u>2,211,996</u>	<u>832,205</u>
Net Block		21,031,665	13,345,468
Capital Work in Progress		13,053,318	3,686,684
Incidental Expenditure during construction pending allocation	C	<u>1,899,766,607</u>	<u>1,933,851,590</u>
		1,627,604,455	1,644,636,607
CURRENT ASSETS, LOANS & ADVANCES			
Inventory	D	6,385,852	1,385,764
Cash & Bank Balances		21,144,152	4,113,443
Other Current Assets		38,441	10,503
Loans & Advances		<u>39,454,392</u>	<u>35,244,131</u>
		<u>67,022,837</u>	<u>40,753,841</u>
Less: Current Liabilities & Provisions			
Current Liabilities	E	21,108,921	71,810,915
Provisions		<u>2,308,672</u>	<u>1,224,699</u>
		<u>23,417,593</u>	<u>73,035,614</u>
NET CURRENT ASSETS		43,605,244	(32,281,773)
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	F	-	-
PROFIT AND LOSS ACCOUNT		22,543,166	12,645,166
TOTAL APPLICATION OF FUNDS		<u>2,000,000,000</u>	<u>1,625,000,000</u>

Accounting Policies and Notes to the Accounts G

As per our report of even date attached to the Balance Sheet

For **R. NAGPAL ASSOCIATES**
Chartered Accountants
Firm Regn No.: 002626N

R. NAGPAL
Partner
M.No.81594

Pankaj Gaur
Managing Director

Sunil Kumar Sharma
Director

Place: NOIDA
Date: 15th June, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH 2011**

PARTICULARS	SCHEDULE	CURRENT YEAR ₹	PREVIOUS YEAR ₹
INCOME			
		-	-
EXPENDITURE			
Preliminary expenses written off		9,898,000	-
Preliminary expenses written off - Prior Period		-	12,645,166
		<u>9,898,000</u>	<u>12,645,166</u>
Profit/(Loss) for the year		(9,898,000)	(12,645,166)
Profit/(Loss) brought forward from previous year		(12,645,166)	-
Balance loss carried to Balance Sheet		<u>(22,543,166)</u>	<u>(12,645,166)</u>

Accounting Policies and Notes to the Accounts

As per our report of even date attached to the Balance Sheet

For **R. NAGPAL ASSOCIATES**
Chartered Accountants
Firm Regn No.: 002626N

For and on Behalf of the Board

R. NAGPAL
Partner
M.No.81594

Pankaj Gaur
Director

Sunil Kumar Sharma
Director

Place: NOIDA
Date: 15th June, 2011

SCHEDULES TO BALANCE SHEET

AS AT 31.03.2011 ₹	AS AT 31.03.2010 ₹
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SCHEDULE 'A'

SHARE CAPITAL

Authorised

200,00,00,000 (Previous Year 20,00,00,000)
Equity Shares of Rs. 10/- each

20,000,000,000 2,000,000,000

Issued, Subscribed and Paid up

20,00,00,000 Equity Shares
(Previous year 16,25,00,000 Equity Shares)

2,000,000,000 1,625,000,000

of Rs. 10/- each fully paid up in cash

(The entire paid up Equity Share Capital is held by Jaiprakash Power Venture Limited, the Holding Company.)

2,000,000,000 1,625,000,000

**SCHEDULE 'B'
FIXED ASSETS**

(Figures in ₹)

Particulars	Gross Block					Depreciation				Net Block	
	Opening Balance as on 01.04.2010	Assets acquired from NHPC/JPVL	Additions during the year	Sale during the year	Total as at 31.03.2011	Up to 31.03.2010	For the Year	Depreciation written back	Total Depreciation upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Leasehold Land	225,957	-	-	-	225,957	2,495	10,118	-	12,613	213,344	223,462
Building	1,297,154	-	-	-	1,297,154	5,213	21,144	-	26,357	1,270,797	1,291,941
Plant & Machinery	2,390,306	-	367,578	-	2,757,884	48,682	132,622	-	181,304	2,576,580	2,341,624
Furniture & Fixtures	243,853	-	-	-	243,853	3,928	15,436	-	19,364	224,489	239,925
Computers	559,790	-	515,747	-	1,075,537	61,000	145,422	-	206,422	869,115	498,790
Office Equipments	4,105,226	-	980,850	-	5,086,076	89,289	323,957	-	413,246	4,672,830	4,015,937
Light Vehicles	5,323,640	-	4,720,434	43,764	10,000,310	618,961	707,656	1,355	1,325,262	8,675,048	4,704,679
Boats	31,747	-	2,525,143	-	2,556,890	2,637	24,791	-	27,428	2,529,462	29,110
Total	14,177,673	9,109,752	43,764	23,243,661	832,205	1,381,146	1,355	2,211,996	21,031,665	13,345,468	
Previous Year	1,803,290	4,854,917	7,519,466	14,177,673	210,137	622,068		832,205	13,053,318	3,686,684	
Capital Work In Progress											

SCHEDULE 'C'
STATEMENT OF INCIDENTAL EXPENDITURE DURING CONSTRUCTION PENDING ALLOCATION FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	As at 31.03.2011 ₹	As at 31.03.2010 ₹
OPENING BALANCE AS ON 1ST APRIL	1,627,604,454	365,705,723
Advertisement Expenses	2,615,536	25,730
Car Hire Charges	1,843,852	277,913
Consultancy Charges	90,199,050	66,208,000
Cost for acquisition of project	-	785,664,647
Environmental Management Plan		
Monitoring Cost	1,495,970	1,048,275
Freight & Octroi Charges: Freight	4,313,532	7,975,871
Insurance	535,930	361,082
Machinery Hire Charges	863,879	891,202
Miscellaneous Expenses	2,607,245	3,011,677
Network Expense	615,497	236,646
Power, Water & Electricity Charges	2,124,092	565,072
Printing, Stationery & Computer Expenses	618,024	454,303
Provident Fund, ESI & Admin Charges	1,683,240	774,910
Rates & Taxes	1,140,696	559,198
Rent	5,297,034	2,555,659
Repair - Plant & Machinery	901,355	450,472
Repair & Maintenance Camp	22,070,057	23,763,866
Rural Development Expenses	16,530,627	1,787,099
Salary, Wages, Bonus and other benefit	45,926,628	20,254,020
Social Welfare Expenses	7,229,700	1,549,111
Staff Welfare Expenses	7,076,044	3,642,727
Survey Work expenses	24,080,203	-
Telephone Expenses	530,030	877,944
Travelling Expenses	7,260,705	3,805,905
Upfront fee	10,500,000	330,000,000
Vehicle Running & Maintenance Expenses	12,691,456	4,389,436
Depreciation	1,381,146	622,067
Auditor's Remuneration		
- Audit Fee	110,300	110,300
- Reimbursement of expenses	-	1,400
Total	1,899,846,282	1,627,570,255
Less: Interest earned on deposit	(27,938)	(8,500)
Less: Profit on sale of Fixed Asset	(57,591)	-
Less: Miscellaneous receipts	(34,600)	-
Add: Provision for Taxation		
- Previous Year	-	656
Provision for Taxation		
- Current Year	-	2,627
Provision for FBT - Previous Year	-	24,417
Provision for Wealth Tax		
- Current Year	45,716	15,000
Less: Provision for Wealth Tax of P.Y. written back	(5,262)	(79,675)
Amount Carried Forward	1,899,766,607	1,627,604,455

SCHEDULE 'D'
CURRENT ASSETS, LOANS & ADVANCES

	As at 31.03.2011 ₹	As at 31.03.2010 ₹
A CURRENT ASSETS		
i) Inventories (As per Inventories taken, valued and certified by the management)		
- Stores & spares (at weighted average cost)	2,699,891	1,385,764
- Material in transit (at cost)	3,685,961	6,385,852
ii) Cash & Bank Balances		
a) Cash & Cheque in hand	1,029,464	1,373,208
b) Balances with Scheduled Banks		
- in Current Account	18,254,688	2,640,235
- in Fixed Deposit Account (Pledged with Govt. Deptt/ Banks) (Current Year ₹ 18,60,000, Previous Year ₹ 1,00,000)	1,860,000	100,000
iii) Other Current Assets		
- Interest Accrued on Fixed Deposit with Banks	38,441	10,503
A	27,568,445	5,509,710
B LOANS AND ADVANCES (Unsecured, considered good)		
Advance recoverable in cash or in kind for value to be received	35,544,549	33,606,655
Security deposit with		
- Public Bodies & Govt. Departments	1,321,026	302,745
- Others	118,100	354,400
Staff Imprest and advances	633,526	80,226
Imprest - Others	549,083	52,386
Prepaid Expenses	1,288,108	847,719
B	39,454,392	35,244,131
TOTAL A+B	67,022,837	40,753,841

SCHEDULE 'E': CURRENT LIABILITIES & PROVISIONS

	As at 31.03.2011 ₹	As at 31.03.2010 ₹
A CURRENT LIABILITIES		
i) Sundry Creditors		
- Due to Micro, Small Scale, Medium Scale Enterprises	-	-
- Other Creditors	2,476,795	762,923
ii) Expenses Payable	13,564,281	62,175,178
iii) Due to Staff	589,985	4,269,178
iv) Other Liabilities	4,477,860	4,603,636
A	21,108,921	71,810,915
B PROVISIONS		
i) Provision for Taxation	2,627	2,627
ii) Provision for Leave Encashment	1,067,665	502,409
iii) Provision for Gratuity	853,007	570,709
iv) Provision for Wealth Tax	45,716	15,000
v) Provision for Provident Fund	339,657	133,954
B	2,308,672	1,224,699
TOTAL A+B	23,417,593	73,035,614

SCHEDULE 'F': MISCELLANEOUS EXPENDITURE

	As at 31.03.2011 ₹	As at 31.03.2010 ₹
(To the extent not written off or adjusted)		
Preliminary Expenses	-	1 2,645,166
Add: Expenditure incurred during the year	9,898,000	-
Less: Preliminary Expenses Written off	9,898,000	12,645,166

SCHEDULE 'G'

ACCOUNTING POLICIES AND NOTES ON THE ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of Financial Statements:

- (i) The accounts are prepared on historical cost basis and on the principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are being consistently followed and are in accordance with generally accepted accounting principles.

(b) Revenue Recognition:

Expenditure and Income are accounted for on accrual basis.

(c) Fixed Assets

Fixed Assets are stated at Cost of Procurement or construction inclusive of freight, erection & commissioning charges, duties and taxes, expenditure during construction period, Interest on borrowings and financing cost upto the date of commissioning.

(d) Depreciation

- (i) Fixed Assets are depreciated as per straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.
- (ii) Depreciation on Assets of the Rs. 5,000 or less is provided at 100% irrespective of the actual period of use.

(e) Employee Benefits

Employee Benefits are provided in the books as per AS – 15 (revised) in the following manner:

- (i) Provident Fund and Pension contribution as a percentage of salary/wages as per provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952.
- (ii) Gratuity and Leave Encashment is defined benefit obligation. The liability is provided for on the basis on Projected Unit Credit Method adopted in the actuarial valuation made at the end of each financial year.

(f) Preliminary Expenses

Preliminary expenses are written off in the year in which it is incurred.

(g) Expenditure during Construction Period

Expenditure incurred on the Project during Construction is capitalised and apportioned to various assets on commissioning of the Project.

(h) Inventories

- (a) Inventories of Stores & Spares are valued on the basis of weighted average cost method.
- (b) Material-in-transit is valued at cost.

(i) Taxes on Income

Current Tax is determined as per the provisions of the Income Tax Act in respect of the Taxable Income.

Deferred tax liability, if any, is computed as per Accounting Standard (AS-22). Deferred Tax Asset and Deferred Tax Liability are computed by applying rates and tax laws that have been enacted upto the Balance Sheet date.

(j) Earning Per Share

Basic earning Per Equity Share is computed by dividing the net profit or loss after tax by the weighted average number of Equity Shares outstanding during the period.

(k) Borrowing Costs

Borrowing costs attributable to the procurement/construction of fixed assets are capitalised as part of the cost of the respective assets upto the date of commissioning. Other borrowing costs are recognized as expense during the year in which they are incurred.

(l) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes.(as per AS-29) Contingent assets are neither recognized nor disclosed in the financial statements.

(m) Impairment of Assets

At each balance sheet date, the management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is

any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

(n) Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortisation on straight line basis from the date the assets are put for commercial use.

(o) Amortization of Lease Hold Land

Lease hold land is being amortized over the Lease period.

(p) Foreign Currency Transactions:

- (i) Monetary assets and liabilities related to foreign currency transactions and outstanding at the close of the year are expressed in Indian Rupees at the rate of exchange prevailing on the date of Balance Sheet.
- (i) Transactions in foreign currency are recorded in the books of accounts in Indian Rupees at the rate of exchange prevailing on the date of transaction.

(B) NOTES ON ACCOUNTS

1. (a) Contingent Liabilities - NIL
- (b) Letter of Credit (L/C) of Rs. 15,75,480/- (GPB 21613.00 @ Rs. 72.8950 per GBP) (Previous Year - Nil). Margin against the above Rs. 17,60,000/- (Previous Year- Nil)
2. The Company has taken over the project from its Holding Company Jaiprakash Power Ventures Limited by reimbursing them Rs. 114.30 Cr. This includes Rs. 78.78 Cr. paid to NHPC for detailed Projects Reports as well as to take over the assets at site.
3. (a) Preliminary expenses have been written off in the year in which it is incurred.
- (b) As the Company has not yet started operation, the necessary details as per part-II of Schedule- VI to the Company Act, 1956 have been disclosed in the Schedule "C"—"Statement of Incidental Expenditure during construction, pending Allocation."
4. In the opinion of Board of Directors, the "Current Assets, Loans and Advances" have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated in the Balance Sheet.
5. There are no Deferred Tax Liabilities / Assets as at 31st March, 2011 and 31st March, 2010.
6. Additional information pursuant to provisions of paragraphs 3 and 4 of Part - II of Schedule-VI to the Companies Act, 1956.
 - (a) Capacity & Production
 - (i) Lower Siang H.E. Project**

Licensed Capacity	-	1600 MW (As per MoA)
	-	2400 MW (As per DPR Submitted in June, 2008)
	-	2700MW (As per Review recommendation of CEA/ CWC proposed Revised Capacity).
Installed Capacity	-	2700MW (Revised DPR submitted in September '09 and concurred by CEA). No installation as yet.
Actual Production	-	NIL
 - (ii) Hironig H.E. Project**

Licensed Capacity	-	500 MW (As per MoA). Preparation of DPR is under progress.
Installed Capacity	-	NIL
Actual Production	-	NIL
 - (b) Managerial remuneration paid to Directors. - NIL
 - (c) Expenditure in foreign currency

Capital Equipment	-	USD 65378.07 @45.35 i.e. Rs. 29,64,896/- (Previous Year - Nil)
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7. Related Party Disclosures as required in terms of "Accounting Standard [AS] – 18" are given below:
 - (1) Relationships (Related party relationships are as identified by the Company and relied upon by the Auditors)**
 - (a) Holding Company:**
 - (1) Jaiprakash Power Ventures Limited

(2) Jaiprakash Associates Limited, holding company of Jaiprakash Power Ventures Limited.

(b) Fellow Subsidiary Companies:

- (1) Jaypee Karcham Hydro Corporation Limited (subsidiary of Jaiprakash Power Ventures Limited w.e.f. 02.12.2010)
- (2) Jaypee Powergrid Limited (subsidiary of Jaiprakash Power Ventures Limited)
- (3) Bina Power Supply Company Limited (subsidiary of Jaiprakash Power Ventures Limited)
- (4) Sangam Power Generation Company Limited (subsidiary of Jaiprakash Power Ventures Limited)
- (5) Prayagraj Power Generation Company Limited (subsidiary of Jaiprakash Power Ventures Limited)
- (6) Jaypee Meghalaya Power Limited (subsidiary of Jaiprakash Power Ventures Limited)
- (7) Jaypee Ganga Infrastructure Corporation Limited
- (8) Himalayan Expressway Limited
- (9) Jaypee Infratech Limited
- (10) Jaypee Sports International Limited
- (11) Bhilai Jaypee Cement Limited
- (12) Bokaro Jaypee Cement Limited
- (13) Gujarat Jaypee Cement & Infrastructure Limited
- (14) Jaypee Agra Vikas Limited
- (15) Jaypee Fertilizers & Industries Limited (w.e.f.03.06.2010)
- (16) Jaypee Cement Corporation Limited (w.e.f. 22.02.2011)

(c) Associate Companies:

- (1) Jaypee Ventures Private Limited
- (2) Jaypee Development Corporation Limited (subsidiary of Jaypee Ventures Private Limited)
- (3) JIL Information Technology Limited (subsidiary of Jaypee Ventures Private Limited)
- (4) Gaur & Nagi Limited (subsidiary of JIL Information Technology Limited)
- (5) Indesign Enterprises Pvt. Limited (subsidiary of Jaypee Ventures Private Limited)
- (6) Indus Hotels UK Limited (subsidiary of Indesign Enterprises Pvt. Ltd.)
- (7) GM Global Mineral Mining Pvt. Ltd. (subsidiary of Indesign Enterprises Pvt. Ltd. w.e.f. 16.07.2010)
- (8) Ibonshourne Limited (subsidiary of Indesign Enterprises Private Limited w.e.f. 13.10.2010)
- (9) Jaiprakash Agri Initiatives Company Limited (subsidiary of Jaypee Ventures Private Limited)
- (10) Jaypee International Logistics Company Private Limited (subsidiary of Jaypee Ventures Private Limited)
- (11) Tiger Hills Holiday Resort Private Limited (subsidiary of Jaypee Development Corporation Limited)
- (12) Anvi Hotels Private Limited (subsidiary of Jaypee Ventures Private Limited)
- (13) RPJ Minerals Private Limited
- (14) Sarveshwari Stone Products Pvt. Ltd. (subsidiary of RPJ Minerals Private Limited)
- (15) Rock Solid Cement Limited (subsidiary of RPJ Minerals Private Limited)
- (16) Sonebhadra Minerals Private Limited
- (17) MP Jaypee Coal Limited
- (18) MP Jaypee Coal Fields Limited
- (19) Madhya Pradesh Jaypee Minerals Limited
- (20) Jaiprakash Kashmir Energy Limited
- (21) Jaypee Uttar Bharat Vikas Private Limited (w.e.f. 21.06.2010)
- (22) Kanpur Fertilizers & Cement Limited (w.e.f 26.09.2010)
- (23) Vasujai Estates Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)
- (24) Samsun Estates Private Limited (since merged with Jaypee Ventures Private

Limited w.e.f 01.04.2009)

- (25) Sunvin Estates Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)
- (26) Manumanik Estates Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)
- (27) Arman Estate Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)
- (28) Suneha Estates Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)
- (29) Pee Gee Estates Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)
- (30) Vinamra Housing & Constructions Private Limited (since merged with Jaypee Ventures Private Limited w.e.f 01.04.2009)

(d) Key Management Personnel:

Shri Pankaj Gaur Managing Director

- (2) Transactions carried out with related parties referred to above in ordinary course of business:

Nature of Transaction	Referred in (a) above	Referred in (b) above	Referred in (c) above	Referred in (d) above
Share Capital	37,50,00,000 (162,45,00,000)	–	–	–
Expenditure :				
For services	73,214 (-)		1,66,717 (-)	
For Consultancy	–	–	8,82,40,000 (6,61,80,000)	–
Outstanding:				
Amount receivable	– (6,655)	–	–	–
Amount payable	34,66,172 (-)	–	8,381 (5,45,62,000)	–

(Previous Year Figures are in Brackets)

8. Disclosure as required under Notification No. G.S.R. 719 (E) dated 16th November, 2007 issued by the Department of Company Affairs (As certified by the Management) :

S. No.	Particulars	Current Period Amount (Rs.)	Previous Year Amount (Rs.)
a)	The principal amount and interest due thereon remaining unpaid to any supplier - Principal Amount - Interest Amount	Nil Nil	Nil Nil
b)	The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of payment made to the supplier beyond the appointed day.	Nil	Nil
c)	The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed during year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
d)	The amount of interest accrued and remaining unpaid	Nil	Nil
e)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

9. (a) **Provident Fund-Defined Contribution Plan:**

All employees are entitled to Provident Fund benefits. Amounts debited to statement of Incidental Expenditure during construction is Rs. 15,06,388 (Previous year 6,93,261) during the Period.

(b) Gratuity

The Liability for Gratuity is provided on the basis of Actuarial Valuation made at the end of each financial year. The Actuarial Valuation is made on Projected Unit Credit Method as per AS 15(revised). Jaiprakash Associates Limited(JAL)(the Company's holding Company) has constituted a Gratuity Fund Trust under the name Jaiprakash Associates Employee Gratuity Fund Trust vide Trust Deed dated 30th March,2009 for JAL and its subsidiaries and appointed SBI Life Insurance Co.Ltd for management of the Trust Fund for the benefits SBI of Employee. As subsidiary of JAL, the company is participating in the Trust by contributing its liability accrued upto the close of each financial year the Trust Fund.

(c) Leave Encashment

Defined Benefit Plans – The liability for Leave Encashment is provided as per actuarial valuation made at the end of each financial year.

Sl. No.	Particulars	Non Funded	
		Gratuity	Leave Encashment
I	Expenses recognized in the Statement of Incidental Expenditure during construction Pending allocation for the Period ended 31st March 2011.		
	1. Current Service Cost.	6,38,996 (3,65,274)	6,47,179 (3,46,935)
	2. Interest Cost	46,788 (1,588)	40,193 (3,317)
	3. Employee Contribution	- (-)	- (-)
	4. Actuarial (Gains)/Losses	-60,256 (2,03,847)	1,22,116 (1,10,691)
	5. Past Service Cost	- (-)	- (-)
	6. Expected Return on Plan Assets	- (-)	- (-)
	7. Settlement Cost	- (-)	- (-)
	8. Total Expenses	6,24,255 (5,70,709)	5,65,256 (4,60,943)
II	Net Asset / (Liability) recognized in the Balance Sheet as at 31st March 2011.		
	1. Present Value of Defined Benefit Obligation.	11,95,814 (5,84,848)	10,67,665 (5,02,409)
	2. Fair Value of Plan Assets.	3,42,807 (14,139)	- (-)
	3. Funded Status (Surplus/-Deficit)	-8,53,007 (-5,70,709)	-10,67,665 (-5,02,409)
III	Change in Obligation during the Period ended March 31, 2011.		
	1. Present value of Defined Benefit Obligation at the beginning of the year.	5,84,848 (19,851)	5,02,409 (41,466)
	2. Current Service Cost.	6,38,996 (3,65,274)	6,47,179 (3,46,935)
	3. Interest Cost	46,788 (1,588)	40,193 (3,317)
	4. Settlement Cost	- (-)	- (-)
	5. Past Service Cost.	- (-)	- (-)
	6. Employee Contributions	- (-)	- (-)
	7. Actuarial (Gains)/Losses	- 59,887 (2,03,847)	-1,22,116 (1,10,691)
	8. Benefit Payments	-14,931 (-5,712)	- - (-)
	9. Present Value of Defined Benefit Obligation at the end of the year.	11,95,814 (5,84,848)	10,67,665 (5,02,409)

IV	Change in Assets during the Period ended March, 2011.		
1.	Plan Assets at the beginning of the year.	14,139 (-)	- (-)
2.	Assets acquired on amalgamation in previous year.	- (-) - (-)	- (-) - (-)
3.	Settlements	1,273	-
4.	Expected return on Plan Assets	(-)	(-)
		3,41,957	-
5.	Contribution by Employer	(19,851)	(-)
		-14,931	-
6.	Actual Benefit Paid	(-5,712) 369	(-) -
7.	Actuarial Gains/ (Losses)	(-)	(-)
		3,42,807	-
8.	Plan Assets at the end of the year.	(14,139)	(-)
		1,642	-
9.	Actual Return on Plan Assets	-	(-)

(Previous Year figures are given in brackets)

(d) Actuarial Assumptions

- (i) Discount Rate – 8%
- (ii) Mortality – LIC(1994-96) duly modified mortality tables
- (iii) Turnover Rate – Upto 30 years - 3%, 31-44 years -2%, Above 44 -1%
- (iv) Future Salary Increase – 8% (Previous year 8%)

10. Earnings Per Share is computed in accordance with Accounting Standard – 20 issued by the Institute of Chartered Accountants of India.

	(Amount in Rs.)	
	2010-11	2009-10
[a] Net Profit/(Loss) for Basic Earnings Per Share as per Profit & Loss Account	(98,98,000)	(1,26,45,166)
[b] No. of Equity Shares	20,00,00,000	16,25,00,000
[c] Basic Earnings Per Share	(0.05)	(0.078)
[d] Face Value Per Share	10/-	10/-

11. All figures have been rounded off to the nearest rupee.

Signature to Schedules "A" to "G"

For **R. NAGPAL ASSOCIATES**
Chartered Accountants
Firm Regn No.: 002626N

For and on Behalf of the Board

R. NAGPAL
Partner
M.No.81594

Pankaj Gaur
Managing Director

Sunil Kumar Sharma
Director

Place: Noida
Date: 15th June, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE PURSUANT
PART-IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956**

I Registration Details:

Registration No. U40105DL2008PLC177067 State Code No. 55
Balance Sheet Date 31.03.2011

II Capital raised during the period (Rs. in Lacs)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	3,750

III Position of Mobilisation and Deployment of Funds

(Rs. in Lacs)
As at 31.03.2011

Total Liabilities	20,000
Total Assets	20,000

Sources of Funds

Paid-up Capital	20,000
Reserve & Surplus	-
Deferred Revenue	-
Secured Loans	-
Unsecured Loans	-
	<u>20,000</u>

Application of Funds

Net Fixed Assets (including CWIP)	341
Preoperative Expenses of New Projects (Pending Capitalisation)	18,998
Investments	-
Net Current Assets	436
Miscellaneous Expenditure	-
Accumulated Losses	225
	<u>20,000</u>

IV Performance of Company

Turnover	-
Extra ordinary items	-
Total Expenditure	-
Profit/(Loss) Before Tax	-
Profit/(Loss) After Tax	-
Basic Earnings Per Share in Rs.	-
Dividend Rate	-

Not Applicable since the project is under implementation

V Generic Names of three Principal Products/Services of the Company (as per Monetary terms)

Item Code No. (ITC Code)	8502.30
Product Description	Power Generation

For R. Nagpal Associates
Chartered Accountants
Firm Registration No. 002626N

For and on behalf of the Board

R. Nagpal
Partner
M.No. 81594

Pankaj Gaur
Managing Director

Sunil Kumar Sharma
Director

Place : Noida
Dated : 15th June, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	CURRENT YEAR		PREVIOUS YEAR
	₹		₹
A. Cash flow from Operating Activities			
Loss as per P&L Account	(9,898,000)		(12,645,166)
Add:Preliminary expenses written off	9,898,000		12,645,166
Net cash inflow from operating activities – 'A'	–		–
B. Cash flow from Investing Activities			
Outflow			
Investment in Fixed Assets	(9,109,751)		(7,519,466)
Capital work in Progress & Incidental Expenditure Pending allocation (Net of Interest Earned & Profit on sale of Fixed Asset)	(280,205,232)		(479,298,701)
(Increase)/Decrease in Inventories	(5,000,088)		(1,385,764)
(Increase)/Decrease in Other Current Assets	(27,938)		(8,500)
(Increase)/Decrease in Loans and Advances and others	(4,210,261)	(9,238,287)	(30,986,402)
Inflow			
Sale of Fixed Assets	100,000		–
Increase (Decrease) in Trade Payables	(50,701,994)		70,785,388
Increase (Decrease) in Provisions	1,083,973	(49,618,021)	747,428
Net cash used in investing activities – 'B'	(348,071,291)		(447,666,017)
C. Cash flow from Financing Activities			
Inflow			
Increase in Share Capital	375,000,000		425,000,000
Outflow			
Miscellaneous Expenditure incurred	(9,898,000)		–
Net cash in financing activities – 'C'	365,102,000		425,000,000
Net Increase/(Decrease) in cash or cash equivalents (A+B+C)	17,030,709		(22,666,017)
Cash & Cash Equivalents at the commencement of the year (Opening Balance)	4,113,443		26,779,460
Cash & Cash Equivalents at the end of the year (Closing Balance)	21,144,152		4,113,443

For R. Nagpal Associates
Chartered Accountants
Firm Registration No. 002626N

For and on behalf of the Board

R.Nagpal
Partner
M.No. 81594

Pankaj Gaur
Managing Director

Sunil Kumar Sharma
Director

Place : Noida
Dated : 15th June, 2011