

JAI PRAKASH ENGINEERING AND STEEL COMPANY LIMITED

BALANCE SHEET AS AT 31st MARCH, 2011

PARTICULRS	SCHEDULE	AS AT 31.03.2011		AS AT 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
Sources of funds					
Share Capital	A		225,972,030		225,972,030
Share Application Money			-		351,218,000
Reserves and Surplus	B		284,877		284,877
Unsecured Loans	C		4,256,068		4,256,068
Total			230,512,975		581,730,975
Application of funds					
Fixed Assets	D				
Gross Block		2,883,064		2,883,064	
Less: Depreciation		-		-	
Net Block		2,883,064		2,883,064	
Expenditure During Construction (Pending allocation)	E	-	2,883,064	388,698,029	391,581,093
Current Assets, Loans and Advances	F				
Cash and Bank Balances		2,422,667		2,587,639	
Loans and Advances		183,862,471		191,301,259	
		186,285,138		193,888,898	
Current Liabilities and Provisions	G	3,784,177		3,739,016	
Net current Assets			182,500,961		190,149,882
Profit and Loss Account Balance			45,128,950		-
Total			230,512,975		581,730,975
Notes on Accounts	H				

As per our report of even date attached

for M.BHASKARA RAO & CO.,
Chartered Accountants

For and on behalf of the Board

Sd/-
M V Ramana Murthy
Partner

Sd/-
Director

Sd/-
Director

Place: Hyderabad
Date: 02-04-2011

Sd/-
Manager

Sd/-
Secretary

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

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

PARTICULARS	SCHEDULE NO	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
		Rupees	Rupees
INCOME :		-	
TOTAL		-	-
EXPENDITURE :			
Transfer from Expenditure Pending allocation	E	45,128,950	-
		-	-
TOTAL		45,128,950	-
Loss for the year before tax		45,128,950	
Loss Carried to Balance Sheet		45,128,950	-
Notes on Accounts	H		

As per our report of even date attached	
for M.BHASKARA RAO & CO., Chartered Accountants	For and on behalf of the Board
Sd/- M V Ramana Murthy Partner	Sd/- Director
Place: Hyderabad Date: 02-04-2011	Sd/- Manager
	Sd/- Secretary

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2011

PARTICULRS	AS AT 31.03.2011	AS AT 31.03.2010
	Rupees	Rupees
SCHEDULE - A : SHARE CAPITAL		
Authorised 2,30,00,000 Equity Shares of Rs. 10/- each	230,000,000	230,000,000
Issued, subscribed and Paid-up 2,25,97,203 Equity Shares of Rs.10/- each fully paid (Out of above 2,25,61,693 Equity shares are held by M/s Nagarjuna Fertilizers and Chemicals limited, the holding Company)	225,972,030	225,972,030
Total:	225,972,030	225,972,030
SCHEDULE - B: RESERVES AND SURPLUS		
General Reserve - As per last Balance Sheet	284,877	284,877
	284,877	284,877
SCHEDULE - C- UNSECURED LOANS		
Unsecured Loans	4,256,068	4,256,068
Total :	4,256,068	4,256,068
Schedule - E : Expenditure during Construction (Pending allocation)		
	31.03.2011	31.03.2010
	Rupees	Rupees
Expenditure during Construction incurred upto 31.03.2010	388,698,029	388,572,150
Salaries and Wages	260,000	200,000
Rates and Taxes	4,549	2,211
Auditor's Remuneration	11,030	11,030
Bank charges	2,257	280
Professional Charges	1,500	28,649
Other Advance write off	7,488,173	
	396,465,538	388,814,320

Less: Interest received on Bank Fixed Deposits (TDS Rs.15272(Previous Year - Rs. 24478))	152,719	178,731
Add: Provision for tax - current year	34,131	62,440
Less: Share Application Money adjusted	351,215,000	
Balance Transferred to Profit and Loss Account	45,128,950	
Balance carried to Balance Sheet	-	388,698,029
SCHEDULE- F:		
CURRENT ASSETS LOANS and ADVANCES		
CURRENT ASSETS		
Cash and Bank Balances		
a) Cash on hand	-	-
b) Balances with scheduled Banks - current Account	38,181	340,600
Fixed Deposits	2,384,486	2,247,039
sub-total :	2,422,667	2,587,639
LOANS AND ADVANCES		
(Unsecured and considered good)		
1. Advance Tax and Tax Deducted at source	4,987,108	4,937,723
2. Security Deposit with KIADB	2,555,000	2,555,000
3. Deposits with KIADB - land	176,320,363	176,320,363
4. Other Advances	-	7,488,173
sub-toal :	183,862,471	191,301,259
TOTAL :	186,285,138	193,888,898
SCHEDULE -G: CURRENT LIABILITES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors Expenses	3,623,152	3,676,576
PROVISIONS		
Provision for taxation	161,025	62,440
TOTAL :	3,784,177	3,739,016

JAIPRAKASH ENGINEERING & STEEL COMPANY LIMITED

SCHEDULE- D - FIXED ASSETS AS ON 31.03.2011

(In Rupees)

Particulars	Gross Block (At Cost)			Depreciation			Net Block	
	As at 01.04.2010	Additions During the year	As at 31.03.2011	Upto 31.03.2010	For the year	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	2,883,064	-	2,883,064	-	-	-	2,883,064	2,883,064
Total	2,883,064	-	2,883,064	-	-	-	2,883,064	2,883,064
Previous year	2,883,064	-	2,883,064	-	-	-	2,883,064	2,883,064

JAI PRAKASH ENGINEERING AND STEEL COMPANY LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011

SCHEDULE - H

Accounting Policies and Notes on Accounts:

A. Significant Accounting Policies:

a. General

- i) These Accounts are prepared on the historical cost basis and on a going concern basis.
- ii) Accounting Policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

b. Revenue Recognition

Expenses and Income considered payable and receivable respectively are accounted for on accrual basis.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of taxes

d. Depreciation

Depreciation on fixed assets has been provided on straight line method as per the classification and on the basis of Schedule XIV of the Companies Act, 1956.

e. Expenditure during construction

Expenditure (net of income) incurred during implementation is accumulated under 'Expenditure during Construction period and apportioned to various assets on commissioning of the Project.

f. Taxes on Income

Current Tax is calculated using prevailing tax rates and tax laws.

B. NOTES ON ACCOUNTS:

1 Contingent Liabilities -

No Provision has been made in the accounts in respect of Income Tax demand for the assessment years 1986-87 to 1995-96. Appeal pending before the Income Tax Appellate Tribunal, Lucknow. Rs.94,65,988 (Previous year Rs. 94,65,988).

2 The Company had paid Rs.30.53 crores to Karnataka Industrial Areas Development Board (KIADB) towards deposit for acquisition of land to the extent of 816.88 acres. KIADB had given possession of 1021.63 acres of land to the Company including 204.75 acres of Government land. Since the Company has decided to shelve the Project, the company has approached to KIADB for surrender of land allotted and refund of amount paid. KIADB agreed to reimburse the cost with a condition that as and when KIADB receive requests, JESCO lands will be offered and upon acceptance by potential investor amounts will be refunded to JESCO.

Accordingly, the company has so far surrendered 204.96 acres and received Rs.10.01 crores and balance Rs.17.63 crores is shown as deposit-head under Loans and Advances.

In view of developments taking place in the surrounding areas, the company is confident of surrendering the land to KIADB/ Other prospective buyer and realise the balance of deposit.

In view of the above financial statements of the company for the year have been prepared on going concern basis.

- 3 Un-secured Loans and Deposits are subject to Confirmations.
- 4 Balances under unsecured loan (schedule C) and loans advances (schedule E) are subjected to confirmation from respective parties.
- 5 As per the Computation, there is a tax liability of Rs.34,131/- for the year ended 31st March, 2011.
- 6 Related party transactions:
- A. Holding Company: Nagarjuna Fertilizers and Chemicals Limited
- B. Fellow Subsidiaries 1. Nagarjuna Oil Corporation Limited
2. Kakinada Fertilizers Limited
- C. Key Management Personnel: Mr. K.S. Raju,
Chairman and Managing Director of
Holding Company.
- Related Party Transactions are as under:
1. Advances given to Holding Company Rs. Nil (Previous Year nil)
- 7 During the year the company has adjusted Rs.35.12 crores against the Expenditure pending allocation and net deficit Rs.4.51 crores has been charged off to Profit and loss account since project is shelved.
- 8 Previous year figures have been regrouped/ rearranged where ever necessary to make them conform to the current year classification.
- 9 Figures have been rounded off to the nearest rupee.

Signatories to Schedule A to H

For and on behalf of the Board

Sd/-
Director

Sd/-
Director

Sd/-
Manager

Sd/-
Secretary

Place : Hyderabad
Date: 02-04-2011

AUDITORS' REPORT

The Members of
Jaiprakash Engineering and Steel Company Limited

1. We have audited the attached Balance sheet of Jaiprakash Engineering and Steel Company Limited as at 31st March, 2011 and the Profit and Loss Account 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 the 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 (CARO) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to para 3 above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii) The Balance sheet, Profit and Loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance sheet, Profit and Loss account and the cash flow statement dealt with by this report are in compliance with the applicable Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.



- v) Without qualifying our opinion we draw attention to note 7 of Schedule H regarding adjustment of share application money against expenditure allocation and charging off of balance to profit and loss account for the reason stated therein.
- vi) *The Company has drawn up financial statements on a going concern basis notwithstanding shelving the project for the reasons stated in note 2 of Schedule H and considered deposits-Land Rs.17.63 Crores good for recovery. In view of uncertainties involved in realisation of sale proceeds and future prospects of project, we are unable to express an opinion on the appropriateness of going concern and its consequent impact on the financial statements.*
- vii) *Subject to our remarks at para (vi) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 :*
- i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2011;
 - ii) in the case of the Profit and Loss account, of the loss for the year ended on that date.
5. On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

Hyderabad, April 2, 2011

for M.Bhaskara Rao & Co.
Chartered Accountants
Registration No. 000459 S



M V Ramana Murthy
M V Ramana Murthy
Partner
Membership Number: 206439

Re: JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED
Annexure to the Auditors' Report
(Referred to in paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper record of fixed asset i.e. land showing particulars including quantitative details and location.
- (b) According to the information and explanations given to us the Fixed Assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- (c) According to the information and explanations given to us, the Company has not disposed off substantial part of fixed assets, hence reporting on the going concern status in this regard does not arise.
- (ii) As the company has no inventory, clause (ii) of CARO is not applicable.
- (iii) a) According to the information and explanations given to us, the company has not granted any loans secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the company has not granted any loans to such parties sub clauses (b), (c) and (d) of clause (iii) of CARO are not applicable.
- b) According to the information and explanations given to us, the company has not taken any loans secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the company has not taken any loans from such parties sub clauses (e), (f) and (g) of clause (iii) of CARO are not applicable.
- (iv) During the year the company had not purchase of fixed assets, inventory or sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal control systems.
- (v) (a) In our opinion and according to the information and explanations given to us, there is no contract or arrangement that needs to be entered in the register required to be maintained under section 301 of the Act.
- (b) In view of the above, clause v (b) of paragraph 4 of CARO is not applicable.
- (vi) The company has not accepted any deposits from the public during the year.
- (vii) The company has no internal audit system during the year.



- (viii) The Company has not commenced any operations; accordingly, provisions of para (viii) of CARO are not applicable at present.
- (ix) (a) According to the information and explanations given to us and based on the records of the company, there were no deductions/dues in respect of statutory dues referred to in this clause during the year under audit. According to the information and explanations given to us, there are no arrears of statutory dues as at 31st March 2011 which are outstanding for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there were no dues of sales tax/ wealth tax/service tax/customs duty/ excise duty/ cess which have not been deposited on account of any dispute except Income Tax dues amounting to Rs. 49,19,948/- relating to assessment years 1986-87 to 1995-96 and appeal is pending before Income Tax Authorities, Lucknow.
- (x) The accumulated losses of the Company at the end of the financial year has not exceeded fifty percent of net worth and incurred has not incurred any cash loss (except loss on account of charging off of balance under Expenditure pending allocation (refer note 7 of Schedule H to the financial statements)) in the financial year.
- (xi) The company has no borrowings from financial institutions or banks and has not issued debentures; accordingly, the provisions of para (xi) of CARO are not applicable.
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a Chit Fund/Nidhi/Mutual benefit fund/Society. Accordingly the provisions of para 4(xiii) of CARO are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of para 4(xiv) of CARO are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from any bank or financial institution.
- (xvi) During the year the company has not taken any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that short term funds have not been used for long term purpose during the year.



- (xviii) According to the information and explanations given to us, the company, during the year under report, has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not made any public issue of shares during the year.
- (xxi) In accordance with the information and explanations given to us and on our examination of books and records, no fraud on or by the company has been noticed or reported during the year.

for M. Bhaskara Rao & Co.,
Chartered Accountants
Registration No. 000459 S



M V Ramana Murthy
M V Ramana Murthy
Partner

Membership Number: 206439

Hyderabad, April 2, 2011