

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

BALANCE SHEET AS AT 31st MARCH, 2010

PARTICULRS	SCHEDULE	AS AT 31.03.2010		AS AT 31.03.2009	
		Rs.	Rs.	Rs.	Rs.
Sources of funds					
Share Capital	A		225,972,030		225,972,030
Share Application Money			351,218,000		351,218,000
Reserves & Surplus	B		284,877		284,877
Unsecured Loans	C		4,256,068		4,256,068
Total			581,730,975		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 pending allocation As per account statement		388,698,029	391,581,093	388,572,150	391,455,214
Current Assets, Loans & Advances					
Cash & Bank Balances	E	2,587,639		2,725,139	
Loans & Advances		191,301,259		191,216,168	
		193,888,898		193,941,307	
Current Liabilites & Provisions	F	3,739,016		3,665,546	
Net current Assets			190,149,882		190,275,761
Total			581,730,975		581,730,975
Notes on Accounts	G				

As per our report attached

for M.BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
Partner

Place: Hyderabad
Date: April 2, 2010

For and on behalf of the Board

Sd/-
Director

Sd/-
Manager

Sd/-
Director

Sd/-
Secretary

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED.

Account of Expenditure during construction (pending allocation) as on 31.03.2010.

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
Expenditure during Construction (pending allocation) incurred upto 31.03.2010	388,572,150	388,353,759
Auditor's Remuneration	11,030	11,030
Salaries & Wages	200,000	133,333
Rates & Taxes	2,211	2,606
Bank charges	280	2,555
Professional Charges	28,649	176,239
	388,814,320	388,679,522
Less: Interest received on Bank Fixed Deposits (TDS Rs.24478)	178,731	162,660
Less: Provision for taxation	62,440	55,288
Balance carried to Balance Sheet	388,698,029	388,572,150

As per our report attached to the Balance Sheet

for M.BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
Partner

Place: Hyderabad
Date: April 2, 2010

For and on behalf of the Board

Sd/-
Director

Sd/-
Manager

Sd/-
Director

Sd/-
Secretary

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010

PARTICULRS	AS AT 31.03.2010	AS AT 31.03.2009
	Rs.	Rs.
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 (Previous year 2,25,97,203) Equity Shares of Rs. 10/- each fully - paid up. (Out of the 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
	225,972,030	225,972,030
SCHEDULE - B- RESERVES & SURPLUS		
General Reserve	284,877	284,877
	284,877	284,877
SCHEDULE - C- UNSECURED LOANS		
Unsecured Loans	4,256,068	4,256,068
	4,256,068	4,256,068

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010

PARTICULRS	AS AT 31.03.2010	AS AT 31.03.2009
	Rs.	Rs.
SCHEDULE- E - CURRENT ASSETS LOANS & ADVANCES		
CURRENT ASSETS		
Cash & Bank Balances		
a) Cash on hand	-	-
b) Balances with scheduled Banks	340,600	95,987
c) Fixed Deposits in Schedules Banks	2,247,039	2,629,152
	2,587,639	2,725,139
LOANS AND ADVANCES (Unsecured and considred good)		
1. Advance Tax & Tax Deducted at source	4,937,723	4,852,632
2. Security Deposit with Government Departments & Others	2,555,000	2,555,000
3. Deposits with Karnataka Industrial area Development Board for Land acquisition	176,320,363	176,320,363
4. Other Advances	7,488,173	7,488,173
	191,301,259	191,216,168
TOTAL	193,888,898	193,941,307
SCHEDULE -F - CURRENT LIABILITES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors for Expenses	3,676,576	3,610,258
PROVISIONS		
Provision for taxation	62,440	55,288
	3,739,016	3,665,546

JAIPRAKASH ENGINEERING & STEEL COMPANY LIMITED

SCHEDULE- D - FIXED ASSETS AS ON 31.03.2010

Particulars	Gross Block				Depreciation		Net Block		
	As at 01.04.2009	Additions During the year	Sales/Scrap during the year	As at 31.03.2010	Upto 31.03.2009	For the year	Total Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
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 31.03.2010

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 Authorities, Lucknow. Tax Liability ascertained Rs.94,65,988 (Previous year Rs. 94,65,988). Tax paid Rs.45,46,040/-

2 In the opinion of the Board of Directors, the "Current assets, Loans and Advances have a value on realisation in the ordinary course of business at which they are stated in the Balance Sheet.

3 The Company had paid Rs.30,53,65,176/- 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 decided to shelve the Steel Project, the aforesaid land was surrendered to KIADB in 2001-02 and Company sought refund of the deposit amount paid towards the land.

KIADB has agreed to sell the land to prospective buyers and refund the proceeds to the Company. Short fall in realisation if any, will be adjusted in accounts. In view of developments taking place in the surrounding areas, Company is confident of selling the land to KIADB / Other prospective buyer. The Company plans to develop infrastructure projects and accordingly the accounts are prepared on going concern basis.

4 Un-secured Loans and Deposits are subject to Confirmations.

5 As per the Computation, there is a tax liability of Rs.62,440/- for the year ended 31st March, 2010.

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:

Advances given to Holding Company Rs. Nil (Previous Year nil)

7 Previous year figures have been regrouped/ rearranged where ever necessary to make them conform to the current year classification.

8 Figures have been rounded off to the nearest rupee.

Signatures to Schedule A to G

For M. BHASKARA RAO & CO.,
Chartered Accountants

For and on behalf of the Board

Sd/-
Partner

Sd/-
Director

Sd/-
Director

Place : Hyderabad
Date: April 2, 2010

Sd/-
Manager

Sd/-
Secretary

M BHASKARA RAO & CO.,
Chartered Accountants
Phones:23311245; 23393900

5-D FIFTH FLOOR
6 - 3 - 652, SOMAJIGUDA
Hyderabad - 500 082, India

AUDITOR'S REPORT

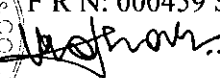
The Members of
JAIPRAKASH ENGINEERING AND STEEL COMPANY LTD

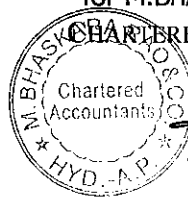
1. We have audited the attached Balance sheet of Jaiprakash Engineering and Steel Company Ltd, as at 31st March, 2010, the Account on Expenditure during Construction and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of 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 as amended by Companies (Auditor's Report) Order, (Amendment) 2004 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 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, account of expenditure during construction 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, account of expenditure during construction and the cash flow statement dealt with by this report comply with the applicable Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.



- v) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) **We draw attention to note 3 of Schedule G to the Financial Statements regarding preparation of accounts on a going concern basis. Management is of the opinion that the entire sale proceeds of the land from KIADB would be realisable and is planning to enter into infrastructure projects. In view of the uncertainties involved in the realisation of the sale proceeds and future prospects of the infrastructure projects, we are unable to express an opinion on the preparation of financial statements on going concern basis and it's consequent impact on the financials of the company.**
- 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 read together with other notes thereon and Significant Accounting Policies, 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, 2010;
 - ii) in the case of the Account of Expenditure during Construction, of the expenditure for the year ended on that date.
 - iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Place : Hyderabad
Date : April 02, 2010

for M.BHASKARA RAO & Co.,
CHARTERED ACCOUNTANTS
F R N: 000459 S

V K MURALIDHAR
Partner
Membership Number: 201570



Annexure

Re: JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

Referred to in paragraph 3 of our report of even date

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) 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 this order 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 this Order are not applicable.
- e) 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 (f) and (g) of clause (iii) of this Order are not applicable.
- (iv) During the year the company had no 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 and based on the representations by the management, 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 the Companies (Auditor's Report) Order, 2003 is not applicable.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion the company has an internal audit system commensurate with the size and nature of its business.



- (viii) As the project is under implementation stage this clause is not applicable.
- (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 2010 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) As the project is under implementation stage the company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.
- (xi) Clause (xi) of this Order is not applicable as the company has no borrowings from financial institutions or banks and has not issued debentures.
- (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 clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 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 clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 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 were not used for long term investment 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.

Place : Hyderabad
Date : April 02, 2010

for M.BHASKARA RAO & Co.,
CHARTERED ACCOUNTANTS
F R N: 000459 S



V K Muralidhar

V K MURALIDHAR
Partner

Membership Number: 201570