

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF BHARAT BHARI UDYOG NIGAM LIMITED**

- 1) We have audited the attached Balance Sheet of Bharat Bhari Udyog Nigam Limited as at 31<sup>st</sup> March, 2008 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure hereto 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 in paragraph 3 above, we state that :-
  - (i) *An amount of Rs.1818.00 lacs was received in an earlier year against the investment of Rs.6813.44 lacs on account of disinvestment of 68134428 nos. of Equity Shares in Jessop & Co. Ltd. as stated in Note No.8 of Schedule - 21. In our opinion the remaining amount of Rs.4995.44 lacs lying in Other Receivables (Schedule – 10) should have been provided for.*
  - (ii) *Consequent to the disinvestment of Equity Shares in Jessop & Co. Ltd. as stated in (i) above, the company still holds the remaining 25580122 nos. Equity Shares in the said company as at 31<sup>st</sup> March 2008 as Investment.*

*In absence of the market price of those shares held as Investment as on 31<sup>st</sup> March 2008, the diminution in the value of those shares, if any, as on that date is not ascertainable and hence cannot be commented upon.*
  - (iii) *Expenses amounting to Rs.251.63 lacs (Note No.8 of Schedule – 21) included in 'Other Receivables' in the Accounts (Schedule – 10) in respect of disinvestment of shares in Jessop & Co. Ltd. is, in our opinion, doubtful of recovery and should have been provided for.*

Contd...2

- (iv) *Interest amounting to Rs.97.90 lacs for the year on Government of India loans to subsidiaries under liquidation (stated in Note No.11 of Schedule - 21) have not been accounted for. The aggregate amount of such unprovided interest upto 31.03.2008 is Rs. 35602.93 lacs. However, the above has no effect on the reported profit of the company.*
- (v) *The value of Company's investment in certain subsidiaries aggregating to Rs.13,367.92 lacs has considerably eroded due to continued losses over past few years and out of which Bharat Process & Mechanical Engineers Ltd. have gone into liquidation. We are unable to comment upon the realisable value of such investments and recovery of loans & advances and other dues from such companies (please refer to Note no.5 of Schedule – 21) and the impact of the same in the profitability of the company is not presently ascertainable.*
- (vi) *Income for the year and Prior-Period Adjustment Account (Dr) would have increased by Rs.82.72 lacs for refund of Service Charges to Jessop & Co. Ltd. in the year 2005-06 (Ref. Note No.17 of Schedule - 21). However, it has no effect on the reported profit of the Company.*
- (vii) *Note No.18 of Schedule – 21 regarding non-receipt of balance confirmation (amount not ascertainable).*
- (viii) *Had the observations made in paras 4(i), (iii) & (iv) above been considered in the accounts, the loss for the year would have been Rs. 5218.49 lacs as against the reported profit before tax of Rs. 28.58 lacs, debit balance of Profit and Loss Account would have been Rs. 5215.72 lacs as against reported credit balance of Profit and Loss Account of Rs. 31.35 lacs, Current Liabilities would have been Rs. 7157.91 lacs as against the reported figure of Rs. 8975.91 lacs, Unsecured Loans would have been Rs. 182268.79 lacs as against reported figure of Rs. 146665.86 lacs, Loans & Advances would have been Rs.206104.29 lacs as against reported figure of Rs.170501.56 lacs, Other Current Assets would have been Rs.373.69 lacs as against the reported figure of Rs. 7438.76 lacs.*

Subject to our observations in paragraph 4 above, we report that :-

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) 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.
- c) The Balance Sheet, the Profit & Loss Account and the 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 & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e) The provisions of Section 274(1)(g) of the Companies Act, 1956, are not applicable to the Company being a Government Company.

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( 3 )

- f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account, read together with the Notes thereon, 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 31<sup>st</sup> March, 2008,
  - ii) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.
  - iii) In the case of Cash Flow Statement of the cash flows for the year ended on that date.

Place: Kolkata.

For D.N. MUKHERJEE & Co.  
*Chartered Accountants*

Date:

( CA. S. K. BASU )  
Partner  
( Membership No.015016)

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF BHARAT BHARI UDYOG NIGAM LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008.**

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1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of the Fixed Assets.  
b) The Fixed Assets have been physically verified by the management during the year and no discrepancies were stated to have been noticed on such verification.  
c) The Company has not disposed off any fixed asset during the year.
2. The Company is not maintaining any inventory. Accordingly, provisions of Clause 4(ii) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as 'Order') are not applicable.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of sub-clauses (b), (c), (d), (f) and (g) of Clause 4(iii) of the Order are not applicable.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory & fixed assets and for sale of goods & services.
5. On the basis of audit procedures performed by us, and according to the information, explanations and representations given to us, there were no contracts or arrangements covered by Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, service-tax, customs duty, excise duty, cess and other material statutory dues as applicable to it.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, service tax, sales-tax, customs duty, excise duty and cess were in arrears as at 31<sup>st</sup> March, 2008 for a period of more than six months from the date they became payable.  
c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. The Company has not taken loans from any financial institutions & banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi, mutual benefit fund or society. Accordingly, the provisions of clause 4 (xiii) of the Order, are not applicable to the Company.

( 2 )

14. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order, are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by the subsidiary Companies from banks are not prima facie prejudicial to the interest of the Company.
16. The Company has not raised any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long term investments.
18. According to the information and explanations given to us, during the year covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Kolkata.

For D.N. MUKHERJEE & Co.  
*Chartered Accountants*

Date:

( CA. S.K. BASU )  
Partner  
( Membership No.015016 )