

Auditors' Report

To

The Members
National Aluminium Company Limited,

1. We have audited the attached Balance Sheet of NATIONAL ALUMINIUM COMPANY LIMITED, as at 31st March, 2009, the Profit and 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 misstatements. 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 the 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 by the Companies (Auditors' Report) (Amendment) Order, 2004 (hereinafter referred to as "the order") 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 in paragraph (3) 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 the books;
 - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e. In terms of Government of India, Ministry of Finance, Department of Company Affairs, Notification No.GSR 829 (E) dated 21st October, 2003, Government Companies are exempt from the applicability of provisions of Section 274 (1) (g) 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 with significant accounting policies and notes on accounts appearing in Schedule X and Schedule Y respectively 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, 2009;
 - ii. in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For P.A . & Associates
Chartered Accountants

Place : Bhubaneswar
Date : 03rd June, 2009

(CA S.S. Poddar)
Partner
Membership No.51113



ANNEXURE TO THE AUDITORS' REPORT (REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE)

- i. (a) The Company has maintained proper records showing in most cases full particulars including quantitative details and situation of its Fixed Assets.
- (b) The company has a programme of conducting physical verification of non-movable assets at an interval of three years, which in our opinion is reasonable having regard to the size of the company and nature of its assets. All the movable assets, were physically verified during the year. As informed to us, no material discrepancies were noticed on such verification wherever reconciliations have been carried out and the same have been adjusted in the books.
- (c) In our opinion and according to the information and explanations, the Company has not disposed off substantial part of fixed assets during the year.
- ii. (a) As explained to us, all inventories except stocks relating to expansion project, stocks with third parties and stocks in-transit have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures for 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) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on physical stock and book records relating to shortages have been dealt with in the books of account, while excesses have been ignored except in case of finished goods.
- iii. (a) According to 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. Accordingly, sub-clauses (b), (c) & (d) of the order are not applicable.
- (e) The Company has not taken any loans, secured or un-secured, from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (f) & (g) are not applicable.
- iv. 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 the sale of goods and services. During the course of our audit, we have not observed any major failures in the internal control system.
- v. According to information and explanations given to us, the Company has not entered into any contracts or arrangements which require to be recorded in a register maintained under section 301 of the Companies Act, 1956.
- vi. The Company has not accepted any deposits from the public during the year.
- vii. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business.
- viii. We have carried out a limited review of the records maintained by the Company, pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(i) (d) of the Companies Act, 1956 in respect of manufacturing activities and are of the opinion that prima facie, the prescribed cost records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether these are accurate and complete.
- ix. According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise duty, Cess, Electricity Duty with the appropriate authority.

According to the information and explanations given to us, no undisputed amounts are payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise duty, Cess and other material statutory dues applicable to it as at 31st March, 2009 for a period of more than six months from the date on which they become payable.

According to the information and explanations given to us, there are disputed statutory dues which have not been deposited as given herein below:

| Statute | Nature of Dues | Amount Disputed (Rs.in crore) | Amount Deposited (Rs.in crore) | Forum where disputes are pending |
|--------------------------|----------------|-------------------------------|--------------------------------|--|
| Sales Tax | Sales Tax | 222.61 | 32.78 | Commissionrate Tribunal High Court |
| | | 168.31 | 39.09 | |
| | | <u>76.45</u> | <u>22.49</u> | |
| | | <u>467.37</u> | <u>94.36</u> | |
| Entry Tax | Entry Tax | 24.30 | 14.38 | Commissionrate Tribunal High Court |
| | | 22.67 | 14.11 | |
| | | 6.95 | 4.90 | |
| | | <u>53.92</u> | <u>33.38</u> | |
| Central Excise Act, 1944 | Excise Duty | 66.63 | 0.23 | Commissionrate Tribunal |
| | | 9.97 | 0.59 | |
| | | <u>76.60</u> | <u>0.82</u> | |
| Customs Act, 1962 | Custom Duty | 0.40 | 0.11 | Commissionrate Tribunal |
| | | 3.17 | Nil | |
| | | <u>3.57</u> | <u>0.11</u> | |
| Income Tax Act, 1961 | Income Tax | 168.88 | 124.63 | Commissionrate Tribunal |
| | | 34.60 | 43.96 | |
| | | <u>203.48</u> | <u>168.58</u> | |
| | TOTAL | 804.94 | 297.25 | |

- x. The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. Based on our examination of the records and 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 or a nidhi/mutual benefit fund/ society. Therefore the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Order 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 bank or financial institutions.



28th ANNUAL REPORT 2008-09

- xvi. Based on our examination of the records and the information and explanations given to us, the Company has not raised any term loans during the year under audit.
- xvii. According to the information and explanations and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment of the company.
- xviii. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. Based on our examination of the records and the information and explanations given to us, the Company has not issued debentures during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. To the best of our knowledge and belief 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.

For P.A . & Associates
Chartered Accountants

Place : Bhubaneswar
Date : 03rd June, 2009

(CA S. S. Poddar)
Partner
Membership.No.51113

Comment of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act 1956 on the accounts of National Aluminium Company Limited for the year ended 31st March 2009.

The preparation of financial statements of National Aluminium Company Limited for the year ended 31st March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 3 June 2009.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of National Aluminium Company Limited for the year ended 31 March 2009. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditors and the company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller & Auditor General of India

Place : Kolkata,
Date : The 10th July, 2009

Sd/-
(A. Roychoudhury)
Principal Director of Commercial Audit
& Ex-Officio Member Audit Board – I
KOLKATA