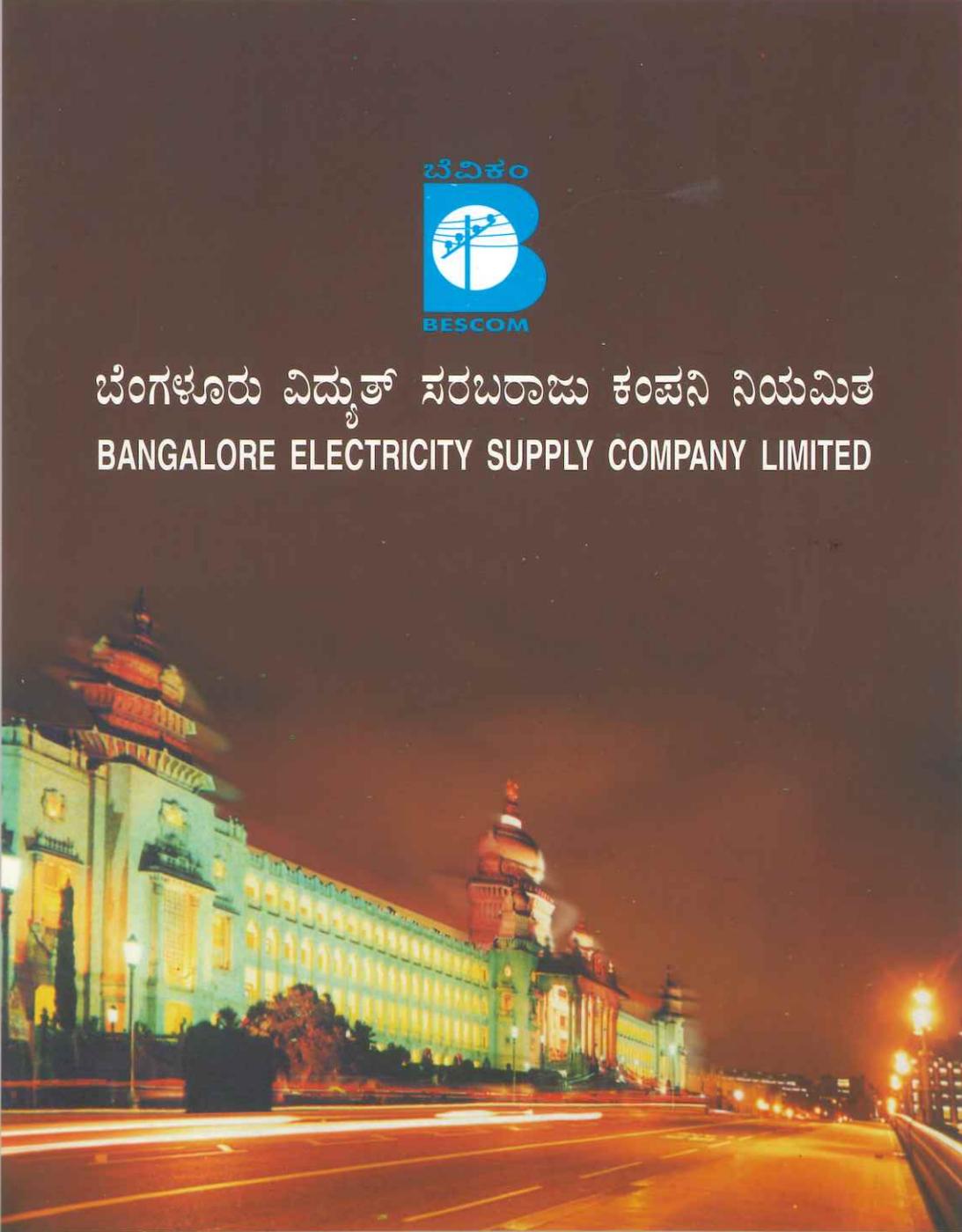


3 ನೇ ವಾರ್ಷಿಕ ವರದಿ
rd Annual Report
2004-05



ಬೆಂಗಳೂರು ವಿದ್ಯುತ್ ಸರಬರಾಜು ಕಂಪನಿ ನಿಯಮಿತ
BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED



W
O
O
S
E
B



Inaugurating the 100 years of Celebration of Electrification of Bangalore City



Appreciation Certificate to the best performing Division



Lauding of BESCOM Complaint Redressal Forum

ಬೆವಿಕೆಂ



**Bangalore Electricity Supply
Company Limited**

3rd Annual Report

2004 - 2005

ಬೆವಿಕೆಂ



**Bangalore Electricity Supply
Company Limited**

3rd Annual Report

2004 - 2005

DIRECTORS' REPORT

Dear Members,

The Board of Directors have pleasure in presenting the Third Annual Report on the business and operations of the Company and together with the Audited Statement of Accounts for the year ended March 31st 2005.

Bangalore Electricity Supply Company was incorporated on 30th April 2002 under the Companies Act, 1956 and commenced its operation with effect from 1st June 2002.

The year 2004-05 was the Third year after BESCOM formed on 1-06-2002 and it has to settle down in its operation both Technical and Commercial. The year was a rigorous and challenging one. The company has set its agenda on Revenue, Improvement measures and in tune with the policy objectives of the Government of Karnataka to bring efficiency in the power sector, especially in the field of distribution of electricity and providing better service to the customer.

BESCOM continued its pursuit of higher goals in the direction of Increased Meter Sales, Increased Collection, Making Meaningful Energy Audit at 11 KV and below, increased Customers Care activities using Information Technology, adopting Modern Technical Modes by reducing human intervention etc. All these have been ably supported by the employees and officers and the result is reflected in present improved position of the Company.

BESCOM aspires to be number one among the distribution companies in the country in the coming months. The progress of the company on different counts is enumerated hereunder.



FINANCIAL

The financial performance of BESCOM during FY 2004-05 is as follows :

Sl. No.	Particulars	Amount Rs. in Crores
I	INCOME	
1	Revenue from sale of power	3643.74
2	Rural Electrification Subsidy - GoK	—
3	Other Income	11.98
	TOTAL	3655.72
II	EXPENDITURE	
1	Purchase of power - KPTCL	3041.38
2	Repairs and Maintenance	32.16
3	Employee Costs	249.40
4	Administrative and Other Expenses	46.33
5	Other Charges (Debits)	50.39
	TOTAL	3419.66
III	Profit before Depreciation and Interest	236.06
	Depreciation (Net)	99.04
IV	Profit before Interest and Taxes	137.02
	Interest and other Charges	24.89
V	Profit before prior period charges or credits	112.13
	Prior period charges(+) or credits(-)	23.67
VI	Profit before Reserve & Taxation	88.46
	Reserve for Contingencies	—
VII	Profit before Taxation	88.46
	Provision for Taxation	7.59
VIII	Profit after Taxation	80.87

A. STRATEGY AND VISION OF THE COMPANY

The vision of BESCOM is to be the best electricity distribution company in India. In order to achieve this vision, the Company has drawn up a strategy which focus on customer satisfaction, Regulatory compliance, meeting stakeholder expectations through an internal reporting, monitoring and control systems.

1. MISSION STATEMENT

The mission of BESCOM is to ensure complete customer's satisfaction by providing its customers reliable and quality power supply at competitive rates.

BESCOM is set to achieve this mission through:

1. Best practice in the construction & maintenance of its distribution network.
2. High standards in customer service.
3. Optimum usage of Technical and Human Resources.

In pursuance of the Mission and vision, BESCOM has set out the following objectives:

2. Customer service

It is the honest endeavor of BESCOM to provide best customer service and sincerely attempt to resolve the grievances of the customers in the shortest possible time and to the satisfaction of the customers.

3. Performance Enhancement

BESCOM is achieving continuous performance enhancement in the areas of Operation and Maintenance of the infrastructure, implementation of new projects/ schemes and to acquire and sustain best practices in these areas with good business ethics and values.

4. Human Resource Development

BESCOM is committed to create a culture of team building, performance orientation, empowerment and accountability to convert the excellent experience and knowledge into productive action.

5. Growth

BESCOM continuously attempts to expand the distribution system and the retail business activity in a cost effective and time effective manner.

6. Financial soundness

BESCOM has developed appropriate commercial policies and systems to maintain and improve the financial viability and status of the company by being commercially successful.

7. Board of Directors

The following are the Directors of Bescom as on the date of Annual General Body Meeting.

Sriyuths/Srimaths

- | | |
|---------------------------|---------------------------|
| 1. Bharat Lal I.A.S., | 7. C. Manjunath |
| 2. G. Kumar Nayak I.A.S., | 8. B. M. Govindaraju |
| 3. V.M. Chandre Gowda | 9. S. Prathap Kumar |
| 4. Dr. Aditi Raja | 10. M.V. Murthy |
| 5. M. Lokraj | 11. Ritvik Pandey I.A.S., |
| 6. Iqbal Ali Khan | |

8. The Members of Audit Committee constituted in accordance with section 292(A) of Compaines Act 1956 are as follows :

- | | | |
|------------------------|---|---------------------------|
| 1. Dr. Aditi Raja. | : | Chairman of the Committee |
| 2. Sri M.Lokraj. | : | Member |
| 3. Sri Iqbal Ali Khan. | : | Member |

B. FINANCIAL PERSPECTIVE

1. Term Loans :

i) PMGY Scheme

Government of Karnataka have released 1st instalment of loan of Rs.87,50,000.00 and Grants of Rs. 37,50,000.00 totaling to Rs. 1,25,00,000.00 to BESCOM during 2004-05 vide G.O. No. EN 121 EEB 2004, Bangalore, dated 01-09-2004 towards execution of PMGY scheme in BESCOM.

ii) PDB Scheme

The Managing Director, BESCOM signed an agreement with Rural Electrification Corporation Ltd., (REC), Bangalore for availing financial assistance of Rs.18,96,08,000.00 for electrification of 1976 numbers of Dalit Bastis in BESCOM.

iii) Term Borrowings for Capital Expenditure Programme

BESCOM has availed term loan of Rs. 50.00 Crores from State Bank of India, Peenya Industrial Branch, Bangalore on 14-03-2005 and Rs.50.00 Crores from Oriental Bank of Commerce (OBC) Richmond Road Branch, Bangalore, on 15-03-2005 having tenure of seven years with one year Moratorium for capital expenditure programme for the year 2004-05 was fixed at Rs. 146.00 Crores. The loan is secured against hypothecation of assets to be created out of the amount borrowed for capex for FY-2005 interest rate bearing 7.% per annum.

Further, KPTCL has transferred during the year an amount of Rs.167, 71, 78, 261.00 borrowed on behalf of BESCOM towards APDRP and 24 hours Power Supply Schemes from RECL. The total term borrowings outstanding as on 31-03-2005 stood at Rs. 467, 57, 85, 499.00 after repayment of Rs.61,47,84,228.00 towards principal during the year as intimated by KPTCL which is over Rs. 126,03,36,098.00 to previous year balance Rs. 341,54, 49,401.00.

However, scheme wise loan balances and other details are yet to be received from KPTCL. In the meanwhile, Debt Servicing is continued to be done by KPTCL during the year for want of finalization of allocation by Government of Karnataka to this effect. BESCOM is making payments on regular basis to KPTCL based on their intimation towards Debt Servicing.

2. Capital works program : (in Rs. Lakhs)

Sl. No.	Scheme Plan	Budget Allocation	Expenditure
1	Service Connections	1800.00	2356.14
2	Replacement of failed distribution transformers	550.00	652.46
3	Tribal Sub Plan works	150.00	166.07
4	T&P & Computers	200.00	252.80
5	Civil Engineering Works	200.00	380.50
6	Special Component Plan	600.00	688.80
	Total	3500.00	4496.76

OUTSIDE PLAN			
1	Irrigation Pumpsets	350.00	384.57
2	Extension & Improvement & ATL works	8500.00	10724.00
3	Electrification of Hamlets, HB/JC/ Thandas/Ashraya Colony	410.00	1544.45
4	Kutira Jyothi Schemes (including the houses constructed under RGRHCL)	840.00	90.50
5	Metering programme	1000.00	1355.80
Total		11100.00	14099.32
Grand Total		14600.00	18596.08

3. Revenue expenditure Budget and Actual Expenditure for the year 2004-05 :

Revenue Expenditure Budget and Actual Expenditure for the year 2004-05 as per accounts are as detailed below.

(Rs. in Crores)

Sl. No.	Account Code	Account Head	Budgeted Estimates	Actual Expenditure	Variation (+/-)
1	70	Purchase of Power	4706.64	3041.38	1665.26
2	74	Repairs and Maintenance Expenses	45.64	32.16	13.48
3	75	Employees cost	256.59	249.40	7.19
4	76	Administration and General Expenses	39.01	46.33	(7.32)
5	77	Depreciation and related debits	158.66	99.04	59.62
6	78	Interest and Finance charges	107.71	24.89	82.82
Total			5314.25	3493.20	1821.05

4. Revenue Expenditure Budget for FY-2006 :

The Revenue Expenditure Budget for the year 2005-06 was made out based on the ERC and tariff filing for FY-2006 to be filed before the KERC which envisaged a total revenue requirement/ expenditure of Rs.4627.46 Crores (subject to changes by the KERC) are as follows:

Sl. No.	Account Code	Account Head	2005-06 (BE)
1		Expenditure:	
a)	70	Purchase of Power	4081.39
b)	74	Repairs and Maintenance Expenses	36.31
c)	75	Employees cost	264.72
d)	76	Administration and General Expenses	42.15
e)	77	Depreciation and related debits	122.72
f)	78	Interest and Finance charges	66.30
g)		Less: Interest and other expenses capitalized	0.22
h)		Other debits (Incl. Prov for bad debts)	13.75
i)		Extraordinary items	0.00

j)		Other (Misc.) – net prior period credit	0.90
		Total	4628.03
2		Rate of Return at 3% of NFA	25.28
3		Other Income	25.85
4		Annual Revenue Requirement (1+2-3)	4627.46

5. No. of Consumers :

The number of consumers existing as on 31-3-2005 is 5251835. Category wise installation details are furnished below.

Sl. No.	Category	As on 31-3-2005
1	Bhagya Jyothi	3,67,841
2	Domestic Lighting including AEH	37,36,363
3	Commercial Lighting	4,68,554
4	L.T. Power	1,10,609
5	H.T. Power	3,896
6	Irrigation Pump Sets	4,90,244
7	Street Lights & Others	45,153
8	Temporary Power	29,185
	Total	52,51,835

I. Energy Input :

- During FY 2004-05 14653.65 MU's of energy is purchased.
- Power purchases are made from KPTCL at the Bulk Supply tariff fixed by the Karnataka Electricity Regulatory Commission (KERC) from time to time.

II. Sale of Energy :

During FY-2005, 11437.03 MU (Metered 7187.10MU + Un-metered 4249.93 MU) were sold to the consumers. Category wise Consumption is as follows:

a) Metered Energy :

Sl. No.	Category	In MU
1	Domestic Lighting. incl. AEH	2396.73
2	Commercial Lighting	561.92
3	IP set (metered)	1.89
4	L.T. Power	870.23
5	H.T. Power	3084.12
6	Water Works / Public Lighting	222.68
7	Temporary installations	49.53
	Total – (a)	7187.10

b) Un-Metered Energy :

Sl. No.	Category	In MU
1	Irrigation Pump Sets	3530.92
2	Public Lighting	242.40
3	BJ / KJ	84.21
Total – (b)		3857.53

Total Energy sold (a+b) : 11044.63 MUs
 % Energy Loss : 24.63 %
 Distribution Loss : 3609.37 MUs

c) Metered Consumption :

The total metered sales of Electrical energy during FY 2005 were 7187.10 MU's against 6312.80 MUs in the previous year, an increase of 13.85%

Year	Input Energy (MU)	Meter Consumption (MU)
FY 2004	13758	6312.80
FY 2005	14654	7187.10

6. Revenue Receipts :

Revenue Receipts	In Crores
1. Bhagya Jyothi	22.44
2. Non-Comm & Domestic Lighting	818.60
3. Commercial & Non-Industrial Lights.	366.72
4. IP Sets	190.78
5. Water Supply & Public Lighting	228.42
6. LT Power	396.99
7. Others	45.16
8. HT Power	1520.37
9. Misc., Recoveries	54.26
Total (1 to 9)	3643.74

7. Collection Efficiency :

Revenue demand and collections have shown an increasing trend. The increased trend has continued in FY-2005 also. The comparative figures are furnished in the following sections.

(i) Revenue Demand

The revenue demand of billings have increased.

*Demand FY-2004: Rs 3242 crores * Demand FY-2005 Rs. 3643.73 crores.

(ii) Revenue Collection

- Collection FY 2004 : Rs 2826 crores
- Collection FY 2005 : Rs 3352 crores

8. INTERNAL AUDIT :

Internal Audit Wing is headed by the General Manager (RT&A). The General Manager (RT&A) is working directly under the control of Managing Director. The monthly progress report of audit is being directly reported to the Managing Director.

During the financial year 2004-05 total short claims of Rs. 977.08 Lakhs has been pointed out and recovered Rs. 1096.60 Lakhs from the consumers, which includes audit short claims pointed out prior to 01-04-2004. The audit short claims pending for recovery as on 31-03-2005 is Rs. 636.18 Lakhs. The performance of audit are made out in **Table-A**.

Opening Balance	Demand	Total	Recovery	Closing Balance
7,55,70,244	9,77,08,494	17,32,78,738	10,96,60,357	6,36,18,381

For the ensuing FY 2005-06, an "Action Plan 2005-06" has been drawn up. In the Action Plan 2005-06, it is proposed to complete the revenue ledger accounts of HT upto March-2006 and power installation up to June-2005 and lighting installation upto March-2005, besides stores audit and audit of all other monetary claims against the Company.

C. Regulatory Affairs Cell :

This cell is primarily responsible for furnishing monthly statistics such as Bench Mark Parameters, EHT Consumption, MRI readings, Consumer Complaints, Accidents Reports etc to KERC. The cell also monitors implementation of KERC directives and send reports regularly to KERC. The annual event of preparation of Expected Revenue from Charges (ERC) and revision tariff proposals for bridging revenue gap, if any, is undertaken by the cell. The public hearings and other review meetings held by KERC are co-ordinated and decisions taken is siphoned to the field levels for speedy implementation.

D. Technical Aspects :

i. Perspective

As on 31.03.2005	
■ Area	41,092 sq.km
■ Districts	6
■ Population	16.8 Million
■ Consumers	5.25 Million
■ No. of 33/11 S/S	5
■ No. of DTCs	82940
■ HT line length	53618ckt kms
■ LT line length	133479 ckt kms
■ Employee Strength	
● Sanctioned	16,516nos.
● Working	11,421 nos.
■ Total Assets	Rs. 821.51 Cr



ii. Demand Side Management (DSM) :

KPTCL is supplying energy to BESCOM through following Transmission Network & Electrical Sub stations.

Voltage class of stations	No. of Substations
400 KV	4
220 KV	23
110 KV	13
66 KV	204
66/33 KV	1
33 KV	6
Total	251

In difficult times it was inevitable to resort to Demand Side Management (DSM). BESCOM purchases power from KPTCL at the Bulk supply tariff fixed by the Karnataka Electricity Regulatory Commission (KERC) from time to time. The present Bulk Supply Tariff is 254.88 paise per unit.

iii. BESCOM Efficient Lighting Program (BELP) :

BESCOM has launched a unique programme BELP for promoting Compact Fluorescent Lamps (CFLs) for residential sectors in Bangalore City as a pilot project under USAID assistance. The International Institute for Energy Conservation (IIEC) is implementing the Energy Conservation and Commercialization (ECO II) project sponsored by United State Agency for International Development (USAID). Under the programme BESCOM and MEDA (Maharashtra Energy Development Agency) have been selected by the Ministry of Power, Government of India to participate in the model for the country.

The IIEC has developed and designed a "BESCOM – Efficient Lighting Programme" (BELP). The scope of the designed programme is :-

- ◆ Lighting in the Residential consumers has a significant contribution to the system peak demand in the state of Karnataka.
- ◆ BESCOM, in coordination with IIEC, is implementing an Efficient Lighting program in the Bangalore Urban District for Domestic customers (LT-1 & LT-2)
- ◆ This will be a demonstration project with an initial duration of six months.

In order to implement the BELP programme following actions have been taken by BESCOM and IIEC.

- ◆ The scheme was launched on 10th December 2004.
- ◆ The awareness of energy conservation was brought to the customers through press/ media/ hand bills to avail this facility and energy savings in their bills.

- ◆ Road shows were conducted in many O&M sub-divisions during January, February 2005 regarding the usage of CFLs Lamps and savings in energy bills.
- ◆ The scheme has been extended to the employees through salary deduction for purchase of CFLs.
- ◆ Action has been initiated to use CFLs in all the offices of BESCOM.
- ◆ Request all new Residential consumers to install CFLs while availing power supply.

iv. Infrastructure Addition :

The distribution network has been strengthened by way of addition of new 11 KV lines both link lines and new feeders, new DTCs and conductor replacements.

1. HT line added : 3005.65 KMs
2. LT line added : 1036.61KMs

	During the year 2004-05	Total Existing at the end of 31-03-2005		
		OH	UG	TOTAL(in KMS)
HT line Added	3005.65	50611.13	3006.50	53617.63
LT line Added	1036.61	132442.00	1036.61	133478.72

3. The number of distribution transformers added is 10697 Nos.

Capacity	25 KVA	63 KVA	100 KVA	250 KVA	500 KVA	750 KVA	TOTAL
During FY-2005	4228	1419	1252	587	89	9	7598
Cumulative	14025	29910	25212	11451	2328	14	82940

4. No. of RMUs installed (Board fund). 33 Nos.
No. of RMUs installed (APDRP). 168 Nos.
Total No. of RMUs installed 201 Nos.
5. Hamlets Electrified: 14 Nos.
HB /JC / Thandas /AC Electrified: 652 Nos.
6. IP sets energized: 2671 Nos.
BJ/KJ Electrified 12952 Nos.
Drinking Water Supply electrified 1220 Nos.
Ganga Kalyana electrified 395 Nos.

The budget for capital works was Rs 146.00 crores.

The expenditure booked was Rs 186.00 crores. Including service connection works

v. Distribution Transformer Failures :

The BESCOM is emphasizing on more preventive maintenance works of infrastructure and equipment. The result is that the rate of DTC failures has considerably reduced. In BMAZ area where there are 15617 transformers as on March 2005, there has been **No** transformer failures in the last 3 years (since 2002-03).

The total failures in BESCOM area as a whole are as follows:

	No. of DTCs existing	No. of DTCs failed	% of failure
FY-2003	54301	9855	18.14
FY-2004	72243	9073	12.56
FY-2005	82940	11003	13.26

vi. Power Supply :

Bangalore is one of the fastest growing cities in the country and there has been a steady increase in the power supply demand. Almost major share of the energy input is taken over by Bangalore Metropolitan area, because of IT & BT boom.

vii. Corporate Planning :

1. Corporate Planning is monitoring the Energy Audit works of 14 Towns of BESCOM as per the guidelines of KERC. The 14 Towns identified for conducting the Energy Audit are Tumkur, Tiptur, Chitradurga, Davanagere, Harihara, Hoskote, Kolar, KGF, Chintamani, Ramanagara, Channapatna, Doddaballapura, Chickballapur and Sira. Energy auditing of Bangalore Metropolitan city under BMAZ area is separately undertaken.
2. 11 KV feeder wise Energy Audit is being monitored and results are being analysed with the help of feeder management system software package deployed in various offices. Similar exercises are also being carried out in respect of analysis of feeder wise AT & C losses in the system.
3. Verification and processing of energy purchase bills for bulk power purchases from KPTCL.
4. Updating of information with regard to Interface points for the purpose of measurement of bulk power inflow to BESCOM as and when new stations / feeders are commissioned during the year and preparation of up-to date GRID maps.
5. Monitoring the works of Re-conductoring, E&I works, RGRHCL works carried out by various O&M divisions.
6. Monitoring the activities in respect of 11 KV feeder wise and DTC wise energy audit works. DTC wise energy audit in respect of both Towns and Villages (with population more than 2000) is being monitored on a daily basis.
7. Assessment of IP sets consumption is based on readings of pilot meters fixed to DTCs predominantly feeding IP sets. About 653 pilot locations at the rate of 2 to 3 DTCs for each O&M section have been in existence and the assessed monthly consumption of IP sets are being furnished regularly to KERC and to the Government.

8. Preparation of technical specification for O&M equipment and approval for drawings.
9. Co-ordinating and furnishing the required technical information through interaction with field officers for establishment of new stations and augmentation of existing stations to KPTCL for regular Technical Co-ordination Committee Meetings and Technical Advisory Committee meetings.
10. Budget preparation and allocation for capital expenditure in respect of Annual Program of works.
11. Co-ordinating the execution and monitoring of the progress in respect of works approved for the financial year executed by outsourced agencies.
12. Miscellaneous activities like co-ordinating with PTCC, IPP's, Bio-Mass Energy Projects, Non Conventional Energy Project of KREDL etc.

viii. Technical Audit & Quality Control (TA & QC) :

1. The material audit of extension & improvement works carried out in 14 O&M Divisions of BRAZ and CTDZ during the 4 years period from FY-2000 to FY-2003 was taken up from August 2003 as per instructions of the Managing Director BESCOM, 14 Teams comprising one AEE (El.) & one AO(I/A) were constituted to inspect various works executed during the period.

1.	Total number of E&I works where discrepancies were observed	72 Nos.
2.	Total financial loss	11.54 Lakhs

The stores auditing of all Division stores in BESCOM is being under taken from March 2005, duly verifying the purchase orders issued by the General Manager, Ele., (Procurement) and a statement of materials issued to various work orders is being obtained from concerned divisional stores before site inventory.

The inspection of line materials such as Poles, Conductors, Transmission, UG Cables and other materials required for APDRP, E&I & Capital Works was inspected by TA & QC team for Quality & Quantity.

The Technical Auditing and site inspection of E&I, RGRHCL works under taken by Turnkey Agencies were inspected and the Technical observation noticed during inspection were informed to the concerned agencies. The list of E&I & RGRHCL works inspected is as follows.

Sl. No.	Name of the Circle	E&I Works	RGRHCL Works
1	Bangalore Rural Circle	29	36
2	Tumkur Circle	13	92
3	Kolar Circle	0	29
4	Davanagere Circle	36	64
		78	221

ix. Vigilance Wing :

The Superintendent of Police who is assisted by the following officers :

Deputy General Manager	01
Deputy Superintendent of Police	02
Assistant General Manager	12
Police Inspectors	06
Police Sub Inspectors	04
Head Constable	23
Police Constable	58

Eleven police stations have been sanctioned and they have started functioning at :

Malleswaram	(B'lore Urban District)
Rajajinagar	(B'lore Urban District)
Jayanagar	(B'lore Urban District)
Indiranagar	(B'lore Urban District)
Ramanagar	(B'lore Rural District)
Hoskote	(B'lore Rural District)
Kolar	(Kolar District)
C.B.Pura	(Kolar District)
Tumkur	(Tumkur District)
Chitradurga	(Chitradurga District)
Davanagere	(Davanagere District)

The details of the inspections carried out during the year 2004-05 and the amount of back billing charges demanded are as follows:

a	Total No. of Installations checked	33946 Nos.
b	No. of Cognizable cases booked	2920 Nos.
	i) Total quantity of energy misused assessed (in Lakhs)	13.34 units
	ii) Amount of BBC demanded	Rs.133.44 lakhs
	iii) Amount of BBC collected	Rs.46.36 lakhs
	iv) Compounding fee demanded	Rs.28.19 lakhs
	v) Compounding fee collected	Rs.32.69 lakhs
c	No. of Non Cognizable cases booked	2451 Nos.
	i) Total quantity of energy misused assessed (in Lakhs)	77.29 units
	ii) BBC Demanded from NC cases	Rs.691.58 lakhs
	iii) Amount of BBC collected from NC cases	Rs.37.74 lakhs

X. MT Division :

The main activities of MT division are as follows:

- To monitor and up keeping the metering system of entire Bangalore Rural Area Zone covering all categories of installations.
- To maintain and monitor the energy meters provided to predominantly IP feeding transformer centres in order to assess the energy consumption. All the metering systems provided are monitored by our staff in co-ordination with the corporate planning. Any complaints pertaining to metering system were attended immediately.
- Testing of distribution transformers repaired in various authorized transformer repair centres and monitoring stage inspection works of the repair centres.
- Taking up Pre-Commission Test in respect of all new HT/LT installations.
- Attending to the troubles/complaints received from HT/LT consumers.
- Inspection and sealing of new energy meters.
- Monitoring the consumption of HT/LT installations.
- To maintain the energy meters provided on LT side of DTC's for the purpose of DTC wise energy audit being carried out in various towns coming under BRAZ area.
- Rating of all types of LT installations, meter provided at distribution transformer centres and identification of faulty meters and detecting theft cases is being carried out in view of energy audit work.
- Rating of all the LT installations coming on each of the DTC's, where the percentage of distribution loss is more than 5 percent is being carried out from September – 2004 by entrusting rating work to outside agencies. 30 numbers of LT rating batches have been formed from January – 2005.

The activities of this division are detailed below.

	BMAZ	BRAZ	CTDZ
Number of pre-commissioning tests conducted :			
➤ EHT installations	-	-	
➤ HT installations	440	155	
➤ LT installations	838	160	
➤ RMU	277	-	
ODs	492	-	
VLs	522	-	
Periodical testing/rating :			
➤ EHT installations	09	06	
➤ HT installations	1627	838	
➤ LT installations	10485	107265	

	BMAZ	BRAZ	CTDZ
No. of Troubles attended :			
➤ EHT installations	5	-	
➤ HT installations	272	106	
➤ LT installations	1154	433	
➤ RMU	363	-	
ODs	147	-	
VLs	215	-	
No. of discrepancies noticed during rating/inspection :			
➤ HT installations	445	4	
➤ LT installations	7087	18882	
Amount claimed in view of (4) above in Lakhs :			
➤ HT installations	144.46	12.06	
➤ LT installations	68.97	43.39	
Amount collected in Lakhs :			
➤ HT installations	18.54	12.06	
➤ LT installations	24.47	43.39	

xi. APDRP works :

A cell was setup to monitor the projects sanctioned by MoP, Gol.

- Government of India, MOP vide their letter dated 4-10-2002 sanctioned the following projects under APDRP for BESCOM.

Name of the Project	Cost (Rs. in crores)
■ Bangalore City	338.30
■ KGF (Robertsonpet)	7.76
■ Tumkur	16.22
■ Davanagere	9.93
Total	372.21

- Out of the above, KPTCL floated a tender at a total cost of Rs.21.05 Crores.

The Tenders for the other works are floated by BESCOM. The progress of works is as under:

	Financial Progress Cost (Rs. In Crores)	Physical Progress % of Progress
Bangalore City	233.71	90%
KGF (Robertsonpet)	11.74	95%
Tumkur	4.76	100%
Davanagere	2.15	100%
TOTAL	252.36	

xii. Accidents :

The details of electrical accidents that have taken place involving departmental and non-departmental persons and animals during the year 2004-05 are as follows:

- Departmental :
Fatal: 05 Nos.
Non Fatal: 58 Nos.
- Non Departmental :
Fatal: 114 Nos.
Non Fatal: 35 Nos.
- Animals 87 Nos.
- ANALYSIS OF ELECTRICAL ACCIDENTS

Sl. No.	REASONS	Human		ANIMAL		TOTAL
		FATAL	NON FATAL	FATAL	NON FATAL	
1	SNAPPING OF CONDUCTORS	9	3	21	0	33
2	ACCIDENTAL CONTACT WITH LIVE ELECTRICAL WIRE/EQUIPMENT	41	26	19	0	86
3	VIOLATION / NEGLIGENCE OF SAFETY MEASURES/LACK OF SUPERVISION	7	30	5	0	42
4	DEFECTIVE APPLIANCES/ APPARTUS/TOOLS	13	1	1	0	15
5	INADEQUATE / LACK OF MAINTENANCE	2	4	5	0	11
6	UNAUTHORISED WORK	13	0	1	0	14
7	ANY OTHER REASON	34	29	35	0	98
	TOTAL	119	93	87	0	299

Number of remedial measures have been taken in BESCOM to reduce the number of accidents and save precious lives.

- Rs. 5.44 Crores has been spent towards rectification of hazardous installations comprising of feeder pillar box and poles.
- Use of safety gadgets by work men on field
- Creating safety zones and implementing line clear permit procedures strictly
- Replacing dilapidated poles and deteriorated conductors to prevent snapping of conductors

xiii. Master Plan Division :

This division is responsible for carrying out extension, improvement & maintenance works of under ground cable system of all ratings, LT, HT and EHT in Bangalore Metropolitan Area.

Whereas two sub-divisions carried out the extension and improvement works, another sub-division is exclusively created to carry out break down works including cable fault locations. The break down sub division works round the clock in case of emergencies. About 2071 cable faults have been successfully located and rectified during the year. BESCOM has in its possession ultra modern Hi-Tech cable fault locating equipments which helps easy, quick and accurate pinpointing of cable faults. Even private agencies and firms approach BESCOM for location of the faults in their UG cable system.

The details of works carried out during the year are as under:

- 2337 Kms. 11 KV HT cables are laid
- 1941 Nos of Cable faults located involving the following size of cables:

a) 3X95 Sq.mm	1063 Nos
b) 3X240 Sq.mm	495 Nos
c) 3X400 Sq.mm	383 Nos

- There were in all 240 No. of Joints / Pot Heads failures:

a) 3X95 Sq.mm	154 Nos
b) 3X240 Sq.mm	47 Nos
c) 3X400 Sq.mm	39 Nos

Cable laid under APDRP as on 31.03.2005 in KMs:

		South Circle	North Circle	Total
a)	3X95 Sq.mm	88.95	141.57	230.52
b)	3X240 Sq.mm	12.94	27.14	40.68
c)	3X400 Sq.mm	152.29	92.92	245.21
Total		254.18	160.63	515.41
d)	Number of RMU's erected	79	89	168

Length of cable laid in Kms. other than APDRP

		South Circle	North Circle
a)	3X95 Sq.mm		2.01 Kms.
b)	3X240 Sq.mm		1.05 Kms.
c)	3X400 Sq.mm	3.74 Kms.	2.16 Kms.
Total		3.74 Kms.	5.22 Kms.
d)	Number of RMU's erected	2 Nos.	1 No.

- Total Length of U.G. cables laid in Kms :

a) 3X95 Sq.mm	232.53 Kms.
b) 3X240 Sq.mm	41.73 Kms.
c) 3X400 Sq.mm	247.37 Kms.
TOTAL	521.63 Kms.

- Total number of RMU's erected 171 Nos.

In addition to the above the MPD is coordinating the work of obtaining the road cutting permission from BMP. Wherever there are obstacles for digging the road, trenchless road cutting is being adopted

- Street Light particulars of BMP:

This division monitors the revenue collection from Street Light of BMP area. The following are the details of revenue collected - Rs. 28,01,55,952.00 against the demand of Rs. 34,25,45,906.00 The closing balance as on 31.03.2005 is Rs. 20,09,30,091.00 including interest.

1 Total connected load of BMP as on 31.03.2005	1905.25 Kws
2 Total revenue demand as on 31.03.2005	Rs. 3425.45 Lakhs
Total Collection from 1.04.2004 to 31.03.2005	Rs. 2801.56 Lakhs

xiv. MICRO FEEDER FRANCHISEES :

Nearly 944 MFF's are working with BESCOM to improve the rural revenue collection by carrying out various activities such as:-

- Meter reading, bill distribution and revenue collection.
- Depositing the collections with the utility.
- Registering complaints and forwarding to utility.
- Facilitating the utility in attending the grievances of low tension consumes viz. domestic, AEH, commercial, small and medium industries upto 40 H.P.(excluding water supply, streetlight.)
- Giving feed back about field realities to the utility on regular basis.
- Total Grama Panchayaths (Excluding BMAZ)=1308
- Number of MFF's Working = 952
- Total Baseline Target in March 2005 = 455.30 lakhs
- Total revenue collection in March 2005 = 631.51 lakhs
- Percentage above Baseline Target = 39%

xv. IT CELL :

The IT & MIS wing of BESCOM started functioning from 1st July 2002. The following is the brief activities.

- Generate cent percent computerized bills in all sub-divisions.
- Awarded the work of Total Revenue Management of Davanagere district to M/s N Soft, which include Software, Hand Held Machines, Hardware, Manpower and Stationery:
- One HT cell was formed to work with BMAZ concurrently.
- Transformer maintenance system to be implemented.
- To co-ordinate all IT matters with consultants and vendors.
- Awarded the work of TRM at C-7 sub-division, Bangalore to M/s. Zygox Ltd.
- All employees working at Sub-divisions are being trained on Awareness about Computers and the existing BNC Software.
- ECRM for consumer friendly measures.
- GIS mapping for consumer indexing.
- Various software like WMS, CMS, MMS are being implemented and maintained through M/s. Dastur & Co.
- Consumer central complaints division with IVRS to track the consumer complaints.
- Easy payment of bills using ATP (any time payment) and Anywhere payment of bills in BMAZ.
- Association with Bangalore One project.
- Implementation of Financial Accounting package.
- HR and Payroll computerization.
- RRAMR used to read HT, LT>40HP and 11 KV feeder data to analyse the surveillance data.
- Bills can be obtained through SMS.

E. Revenue Monitoring Wing in detecting commercial losses :

The Revenue Monitoring Wing continued to detect the revenue short claims, which is furnished in the following table:

(Rs. in Lakhs)

Due to Street Lt. inventory	Opening of pending test reports	Omission of meter constant got demanded	Water Supply installations	Omission of demand of Vigilance	Non-billing of temporary installations	Non-billing of BJ/KJ installations now demanded	Additional Security deposit	Total
144.99	35.36	7.83	333.93	96.54	105.84	6.16	76.42	807.71

F. Operational Efficiency :

BESCOM has shown an improved performance in various operational parameters. The hazardous installations in Bangalore City are continued to be identified and are being attended to on a sustained basis keeping in view the safety of the citizens.

Number of Hazardous Installations identified and rectified are 2,13,425 as against inspection of 2,23,351.

G. Automated meter reading :

Facility of Remote Automated Meter reading is envisaged. This work has begun. By this it is proposed to get reading of 10000 high end consumers, HT and Power above 40 HP without any human intervention.

H. CASH AWARDS :

BESCOM has decided to institute cash awards and issue of appreciation certificates to the top three ranking O&M divisions in each of the zones. Three sub-divisions in each of the O&M circles and three sections in each of the O&M Divisions. Appreciation certificates are being issued every month and cash awards are given every quarter. Selection is based on the evaluation of points on various performance parameters. Similarly, it is also decided to give cash awards and appreciation certificates to the three top ranking Vigilance Police Stations.

Sl.No.	Office	Cash Award in Rs.			Remarks
		I	II	III	
1.	Divisions in each zones	5,000	3,000	2,000	To be given by the Managing Director
2.	Sub-Divisions in each circle	3,000	2,000	1,000	To be given by the respective Chief Engineers Elecl. Certificate to be signed by Managing Director.
3.	O&M Sections in each Divisions	2,000	1,000	500	To be given by the respective Superintending Engineer El. Certificate to be signed by Chief Engineers Elecl.,
4.	Vigilance Police Stations.	3,000	2,000	1,000	To be given by Managing Director.

- Cash award of Rs. 1000 for booking cognizable cases.

I. Customer Care :

Vision of BESCOM is to ensure better customer care and better customer satisfaction. It is committed to achieve this vision by adopting.

- High standard practices in construction of distribution network.
- High order maintenance of distribution network.
- High standards in customer service.
- Optimum usage of human resources.

Customer care has been given top priority in BESCOM.

In this direction, the following customer friendly measures have been introduced.

- Field officers are instructed to inform the VIPs in the respective areas about interruption of power supply over telephone. A list of VIPs along with their telephone numbers is available in all sub-divisional offices.
- Closed User Group mobile communication facility is continued to all O&M Assistant Executive Engineers (Ele) and service stations in Bangalore. BSNL (VPN) is provided to all

other field officers in other O&M zones. These have enabled the customers to contact them instantly in the event of interruption of power supply and during other emergency times for immediate communication and redressal of grievances.

- iii. The Electronic Clearance Scheme is being popularised by encouraging the customers to enroll under the scheme to avoid visiting offices every month to make payment of electricity bills. BESCOM has also improved this scheme to Limited Mandate System. So far as at the end of March 2005, 46,472 number of consumers are using this scheme.
- iv. Computerization of billing in all 98 sub-divisions is streamlined to give error free billing to the customers. Core team has been setup and this team is visiting all the sub-divisions to ensure proper operation of software and ensure error free billing. The percentage errors found are decreasing. Manual mode of ledger maintenance is dispensed in all sub-divisions to ensure computer orientation.
- v. The public in general and Residents Welfare Associations in particular are coming forward to lodge their complaints directly or by e-mail. All these are attended to on top-priority. In FY-2005, 560 number of complaints were received by Corporate Office and all these were attended to.
- vi. System has been continued to attend to customer's complaints quickly and there is a speedy response to their complaints. Customers are free to approach easily the Managing Director directly with their complaints, either through e-mails, letter or in person.
- vii. The complaints are acknowledged, attended and feed back responses given.
- viii. Special efforts are being made to bring about an attitudinal change in the field staff to respond courteously to customers complaints. All field staff have been sensitised to be courteous, polite and responsive while dealing with customers at all times. An in-house HRD centre has been put in place to impart training to all employees / officers. As at the end of FY-2005, 4663 number of employees / officers were trained at HRD centre.
- ix. All meter readers have been provided with uniform and identity cards to make it easier for customers to identify them.
- x. The field staff are trimming the tree branches nearer to the distribution system in consultation with the area welfare associations wherever existing
- xi. To attend to the needs and problems of customers efficiently and to know their views and suggestions Visitor's Books are kept open in all the sub-divisions / division offices. Customers can write down their problem/ views/ suggestions in these books and these are looked into and attended to promptly.
- xii. Soujanya counters are functioning in all the sub divisions as single point of consumer grievance redressal for receiving and attending customer complaints. Field officers are instructed to create proper ambience and provide facilities in all the Soujanya Counters to enable the customers to be comfortable and lodge their complaints at ease.
- xiii. Single redressal point of contact with dedicated telephone for all ECS related problems is established in the office of the Chief Engineer Electy., BMAZ.
- xiv. New customers (Domestic, AEH and Commercial) are continued with facility to purchase single phase energy meters at approved retail outlets from 6th January 2003. By this arrangement

the consumers are given a hassle free arrangement to secure connection to their new installations.

- xv. The O&M Sub-Divisions and Divisions are observing all Mondays as "Customer Grievance Redressal Day" to receive the customer grievances/complaints. The Executive Engineer El., and Assistant Executive Engineer El., are available throughout the day in their offices.
- xvi. BESCOM is participating in 'Bangalore – 1' Programme.

By this, the consumers in Bangalore can pay their electricity bills in common KIOSKS of five utilities like BDA, BSNL, BWSSB, BMP. Now 15 locations are identified and this is likely to grow further. They can get their grievance redressed, seek technical advice on power supply connections to their new/old installations etc.

xvii. Any time payment :

BESCOM in association with Can Bank Computer Services Ltd., a subsidiary of Corporation Bank have installed 30 KIOSKS in Bangalore to facilitate consumers to pay their bills Any Time through Cash, Cheque or D.D. This facility is seen to be very useful to consumers in Bangalore.

xviii. Service stations :

24 x 7 working service stations are working in Bangalore Urban, Kolar, Tumkur, Davanagere, Chitradurga and in all Divisions in Rural areas.

xix. Communication Campaign :

To increase awareness among the customers in respect of initiatives undertaken by BESCOM, a Customer Friendly Measures, Demand Side Management, Energy savings, safety etc., massive communication campaign was conducted through various media. Printed material like pamphlets, brochures, folders, posters etc., were got printed and distributed to consumers. Print and Electronic media were also utilised for this purpose. Frequent customer interaction and employees interaction meetings are also being held.

Major Steps taken are:

- Number of Press note released on various issues relating to customer interest.
- Managing Director held press conference, on initiatives undertaken and progress achieved.
- Managing Director conducts a number of phone-in-programme on a number of popular video and AIR channels.
- Communication Co-ordinators were taken on outsource basis for each of the Rural Districts for Brand Building exercises in Rural areas.
- Weekly meetings with Grama Panchayaths by the sub-divisional officers introduced. This is done to solve their grievances and to bring in awareness among new initiatives undertaken by BESCOM.
- Mobile telephone numbers of sub-divisional officers of BMAZ have been published in all leading newspapers to make the customers easy to contact them during emergencies.
- Publication of monthly in-house magazine called BESCOM BELAKU to bring in awareness among the Officers / Employees on day-to-day happenings in BESCOM.

xx. Consumer Meets :

Regular customer interaction, meetings with customer welfare associations by Zonal Chief Engineer's (Ele), Superintending Engineer's (Ele), Divisional Executive Engineers (Ele) and Sub-divisional officers have been continued. This has resulted in closer customer relationship. The Managing Director held interaction meeting with Residents Welfare Associations and representatives of other customer associations in all districts twice in a year. One customer interaction meeting in association with Public Affairs Centre, NGO, was held at Bangalore.



Consumer Meet

xxi. Jan Samparka Sabha :

Weekly meetings with Grama Panchayaths by the Sub-Divisional officers introduced. This is done to redress their grievances and to bring in awareness in them about new initiatives undertaken by BESCOM. Each Sub-Division is conducting at least one such sabha per week.



Jan Samparka Sabha

J. Commercial Activities :

Power sanctions upto 1000 KVA are examined at the state level single window agency constituted by the Govt. of Karnataka under the department of Industries & Commerce. Power requirement above 1000 KVA are examined and cleared by a high level Committee for Industries headed by Hon'ble Minister for Large and Medium Industries, GOK. On receipt of the clearance from the Government of Karnataka, H.T. Power supply are being sanctioned as follows:

Sl. No.	Limit	Authorized officer
1.	UP to 500 KVA	Jurisdictional O&M Divisions, Exe. Engineer(EI).
2.	Above 500 KVA & up to 1000 KVA	Jurisdictional O&M Circles, Superintending Engineer (EI).
3.	Above 1000 KVA & up to 2000 KVA	Zonal Chief Engineers(EI).
4.	Above 2000 KVA	Corporate Office.

K. Banking & Wheeling of Energy by Independent Power Projects :

During FY-2005, 16 Numbers of private generating Companies availed the banking & wheeling facility totalling 175 MUs

Sl. No.	Name of the IPP	Energy generated & wheeled in MU's
A	MINI Hydel Schemes :	
	M/s. Bhoruka power Corporation Ltd., Shivapura	47.81
	M/s. Bhoruka power Corporation Ltd., Shahapur	18.06
	M/s. Graphite India Ltd	35.60
	M/s. Yuken India Ltd.,Mandya	0.15
	M/s.Cauvery Hydro Energy Ltd-Shivanasamudra.	9.53
	M/s. Kilara Power(P) Pvt Ltd., Maddur, Mandya	1.79
	M/s. Dandeli Ferro Pvt Ltd.,	3.35
	M/s. Country Power Management Company Pvt. Ltd	3.49
	Total	129.58
B	Wind Energy :	
	M/s Jindal Aluminium Ltd., Chitradurga	9.25
	M/s. Kirloskar Electric Co. Ltd., Belgaum	1.77
	M/s RPG Telecom Ltd., Hanumsagar,Koppal district	1.32
	M/s.Renewable Energy Systems Ltd	2.62
	M/s Indo Wind Energy Ltd.,Gadag Taluk	1.05
	M/s. G.I. Power Corporation Ltd	21.09
	M/s. Madras Cements Ltd.	0.33
	Total	37.43
C	Diesel Energy :	
	M/s.Kirloskar Power Supply Co.Ltd-Bevinahally	17.68
	Total	17.68
	Grand Total	174.88

L. Legal Cases :

The legal section is entrusted with the responsibilities of furnishing legal opinion on the matters referred to it. Legal section is assisted by a panel of advocates to conduct the cases before the KERC, various courts, consumer forum and other places.

	High Court	Civil Court	Consumer Forum	KERC
Cases pending	266	574	100	3
Cases added	136	32	24	8
Cases disposed	73	1	11	9
Cases pending	329	605	113	2

M. PERSONNEL MANAGEMENT :

On formation of ESCOMS, employees to these companies were provided by the Govt. of Karnataka on deputation basis through a Transfer Scheme. The said scheme continued in the year 2003-04 also as the 'Option Scheme' introduced by the Govt. of Karnataka to provide an opportunity to employees to Opt Service in the Companies of their choice could not be finalised due to intervention of the Judiciary.

The employees working in BESCOM fall under two categories, viz Technical and Non-Technical. The Technical cadre comprises of Engineering Personnel and employees like Meter Readers/ Operators/ Overseer. The non-technical cadre comprises of ministerial staff to look after finance audit and accounts. The category wise break up of officers/employees borne on regular establishment (on deputation in terms of transfer scheme) is shown in the following table.

(In Numbers)

Category of Employee		Year 2004-05	
		Sanctioned	Working
Officers Category	Chief Engineer & equivalents	4	4
	Superintending Engineer	15	15
	Executive Engineer & equivalents	63	57
	Asst. Executive Engineer & equivalents	315	303
	Asst. Engineer & equivalents	763	491
All other staff	Technical & Non-Technical employees	15,356	9,973
Grand Total		16,516	10,843

1. Staff Strength :

(In Numbers)

Sl. No.	Category	Sanctioned posts	Working	Vacant posts
1.	Group-A	387	379	8
2.	Group-B	670	491	179
3.	Group-C	11575	8330	3245
4.	Group-D	3884	1643	2241
Total		16516	10843	5673

2. Recruitments :

During the period FY-2005 no recruitment was made against regular establishment. However 132 number of Assistant Engineers and 25 numbers of Junior Engineers are working on contract basis. This is to meet the field requirements at the cutting edge level to provide better service to the consumers.

3. Training :

HRD trainings on consumer care and attitudinal change were arranged at field to the employees consisting of Asst. Lineman, Lineman, Meter readers, Clerical Staff of Revenue Section, Engineers. This task was entrusted to M/s. Expert Solutions, Bangalore. Training was conducted covering areas of (a) Importance & need for training, (b) Role building exercise, (c) Importance of attitude, (d) Self development & motivation, (e) Values & vision, (f) Customer Care, (g) Personnel leadership.



HRD Training

4. Departmental Enquiries :

Since inception of the company and up to 31-3-2005, 143 Departmental enquiries were ordered and 133 enquiries were finalized. The details are as follows:

Status of Departmental Enquiry	Number
Departmental enquiries pending from previous year	116
Departmental enquiries ordered during the year	143
Departmental enquiries finalized during the year	133
Departmental enquiries pending at the end of the year	126

5. Appeals :

As per the provisions of KERC, ES&D Code 2001, any consumer aggrieved by claims made by the licensee, on the grounds of prejudicial use of power or on account of faulty metering equipment or due

to any supplemental claims, may file an appeal with the prescribed Appellate Authority within 30 days from the date of bill of claims served duly making payment of an amount equal to one – third of the assessed amount.

Further since there is no mention in the Electricity Act 2003 regarding the 2nd Appellate Authority, the order passed by the Appellate Authority is considered as final and all pending 2nd Appeals filed by consumers are considered as “Not Maintainable”, and action is being taken to recover the amount as per the orders of Appellate Authority duly serving 30 days notice to the consumers.

The details of Appeal Cases received, disposed & pending during the period FY-2005 are as follows:

(Rs. In Lakhs)

	BMAZ	BRAZ	CTDZ	TOTAL
No. of appeal cases pending as on 1-4-2004	399	256	90	745
Amount	578.72	284.79	157.70	1021.21
No. of appeal cases received	152	51	31	234
Amount	50.01	13.28	6.04	69.33
No. of appeal cases disposed	199	115	108	422
Amount	235.05	88.83	139.43	463.31
No. of appeal cases pending as on 31-3-2005	352	192	13	557
Amount	393.68	209.24	24.31	627.23

6. Constitution of Central Grievance Committee :

Central Grievance Committee in BESCOM is constituted vide Order No. BESCOM/BC-31/1001/2002-03 dtd.22-06-2002, consisting of Managing Director, Director (Technical) Financial Advisor, President of KPTCL Employees Union (Reg. 659) and General Secretary, KPTCL Employees Union (Reg. 659). The issues which were not solved at local level, were discussed by the Central Grievance Committee. Besides this, the representatives of the Unions and other Associations held regular meetings with Managing Director and other Directors on matters of policy.

7. BESCOM PROPERTY INSURANCE :

BESCOM is working in a dynamic environment, be it in a consumer service, technological changes, legal protection extended to consumers. Many instances are there where consumer properties get damaged for reasons beyond the control of BESCOM. BESCOM has thought in fit to cover such instances, which cannot be covered otherwise as per present provision under insurance. BESCOM has taken measures to provide insurance cover protecting the property from the damage by fire and other allied perils, breakdown and loss by theft, protecting their employees from all types of accident both during ‘ on ’ & ‘ off ’ duty and compensating consumers in respect of financial loss suffered on account of damages to person/property due to fluctuations in electricity supply, bursting of transformers, fall of electrical poles, electrocution and fire erupted from high tension wire.

The insurance cover has been taken from two leading Public Sector Insurance Companies, viz., United India Insurance Company and Oriental Insurance Company. Now the consumer may register

their claim in the nearest BESCOM Office on the financial loss suffered by them on account of fluctuations in electricity supply, electrocution etc., as explained above. With the Insurance coverage BESCOM feel that besides reduction in quantum the consumer could be financially compensated for any un-towards loss they suffer for BESCOM's non-compliance.

Sl. No.	Insurable Risks	Values (Rs.in lakhs)	Premium Paid (in Lakhs)
1(a)	Protecting Consumer Property on account of surge in Electricity supply.	25	1.51
1(b)	Protecting Consumer Property on account of fall of Electrical Poles, Bursting of Transformers, Electrocution, Sparking from high Tension wires resulting in fire and other allied Accidents.	20	6.93
IIIA(i)	Standard Fire and Other allied Perils and Earthquake.		
	Furniture	200	} 0.98
	Buildings	850	
	Office Equipment	100	
	Inventory	200	
II	Machinery Insurance: Transformers		
	Fire	4000	} 56.22
	Breakdown	4000	
B	House Breaking & Burglary		
	Inventory within Building	100	} 0.03
	Inventory lying in open	10	
C	Cash in Safe	1000	0.04
D	Personal Accident(No. of Employees) (Remarks: CSI in Rs. 1 Lakh)	10667	12.90
E	Power Theft.		1.28

Progress :

- In respect of Machinery Breakdown (transformers), an amount of Rs. 46.75 lakhs have been realized up to 31.03.2005.
- Rs. 5000/- has been realized in respect of protection of consumer property.

The following claims pending as on 31.03.2005:

- Personal accidents - 6 Claims
- Accidental damage of persons/property – 9 Claims
- Protecting Consumers Property in account of surge in Electricity supply – 1 Claim
- Machinery breakdown Rs. 38.25 lakhs.

Extent

BESCOM covers a contiguous area of 41,092 Sq.Kms with a population of over 168 lakhs and serves more than 52.52 lakhs customers. The total asset is worth Rs. 821.51 crores.

Meetings

During the period 01-04-2004 to 31-03-2005, there were 3 meetings of Board of Directors on

- 1) 20-08-2004 (9th Board of Director Meeting)
- 2) 09-12-2004 (10th Board of Director Meeting)
- 3) 30-03-2005 (11th Board of Director Meeting)

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A)

The information under section 217 (2A) of Companies Act, 1956 read with Company (particulars of employees) Rules, 1976 may be taken as NIL.

AUDITORS

The C& AG of India, appointed M/s. Murali & Venkat as Statutory Auditors for Audit of accounts of BESCOM for the year 2004-05.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, the Director based on the information received from the operating management confirm that:

- a. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. Accounting policies have been selected and applied consistently and judgments and estimates are made that are reasonable and prudent so as to give a true and fair views of the state of affairs of the company at the end of the financial year and of the profit & loss of the company for that period;
- c. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting frauds and other irregularities and
- d. Annual accounts have been prepared on a going concern basis.

GENERAL

The Board would like to place on record its appreciation for all the assistance and guidance extended by the Government of Karnataka, Government of India, Karnataka Power Transmission Corporation Limited, KERC, CERC, State Bank of India, Canara Bank, Syndicate Bank, State Bank of Mysore, Bank of Baroda, Corporation Bank, ICICI Bank, Vijaya Bank, Registrar of Companies and the General Public for Co-operation and active support in our endeavor to serve the public. The Board would also like to place on record its appreciation for the dedicated and committed service rendered by the employees of the Company.

For and on behalf of the Board

Sd/-
Chairman, BESCOM

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(PURSUANT TO PART-IV OF SCHEDULE-V TO THE COMPANIES ACT 1956)

I. Registration Details			
Registration No.	CIN - U04010KA2002PLC030438	State code	08
Balance Sheet Date	31-03-2005		
II. Capital Raised during the year (Amount in Rs. Thousands)			
Public Issue	nil	Right Issue	nil
Bonus Issue	nil	Private Placement	nil
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
Total liabilities	2,03,29,894	Total Assets	2,03,29,894
Source of Funds			
Paid up Capital	20,59,500	Reserves & Surplus	35,66,120
Share Deposit	30,772	Unsecured loans	7,73,141
Share Deposit Adj A/c	-7,144		
Service line & security deposits	1,00,04,867		
Secured loans	39,02,638		
Application of Funds			
Net Fixed Assets	89,63,133	Capital works in progress	15,81,030
Net Current Assets	97,85,731		
Accumulated losses	--		
IV. Performance of Company (Amount in Rs Thousands)			
Turn Over	3,65,57,160	Total Expenditure	3,57,48,453
Profit Before Tax	8,84,617	Profit After Tax	8,08,707
Earnings per Share in Rs.	--	Dividend	-
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)			
Item Code No. (ITC Code)	:	-	
Product Description	:	Electricity distribution	

Sd/-
(D. Babu Rao)
Chief General Manager (F&C)

Sd/-
(B.M. Govinda Raju)
Director (Technical)

Sd/-
(G. Kumar Naik)
Managing Director

As per our Report annexed

Sd/-
(K. Venkatesh)

Partner

for & on behalf of Murali & Venkat
Chartered Accountants

Place : Bangalore
Date : 17th Oct. 2005

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, BANGALORE FOR THE YEAR ENDED 31ST MARCH 2005.

“In view of the revisions made in the accounts as a result of the observations made by the Comptroller and Auditor General of India as indicated in Para 1 of the Auditors’ Report to the Shareholders and Note No.32 of notes forming part of accounts, there are no further comments to offer upon or supplement to the Auditors’ Report under section 619(4) of the Companies Act, 1956 on the accounts of BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, BANGALORE for the year ended 31st March 2005”.

Bangalore
DATED : 21st October 2005

Sd/-
(K.P. LAKSHMANA RAO)
PR. ACCOUNTANT GENERAL
(CIVIL & COMMERCIAL AUDIT)
KARNATAKA, BANGALORE

REVIEW ON THE ACCOUNTS OF BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, BANGALORE FOR THE YEAR ENDED 31ST MARCH 2005 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

The table below summarises the financial position of the Company for the three years ending 31 March 2005.

1. Financial Position :
(Rs. in Lakhs)

	2002-03	2003-04	2004-05
Liabilities			
a) Paid-up capital (including share deposit)	20722.59	20103.69	20831.28
b) Reserves and Surplus	5670.46	12854.77	35661.20
c) Borrowings			
i) Government of Karnataka	294.00	294.00	6947.25
ii) Public Bonds	0.00	0.00	0.00
iii) Private Bonds	0.00	0.00	0.00
iv) Financial Institutions	23702.75	21179.49	17962.66
v) Cash Credit from banks	0.00	0.00	0.00
vi) Other Funds	3860.97	12681.00	21847.88
d) Current Liabilities and Provisions (including interest accrued and due)	72696.44	124924.45	100168.45
e) Service Line and Security Deposits	76771.62	86208.33	100048.66
Total	203718.83	278245.73	303467.38
Assets			
e) Gross Block	127897.42	136171.24	158578.01
f) Less : Depreciation	52768.78	60313.09	68946.69
g) Net Block	75128.64	75858.15	89631.32
h) Capital work-in-progress	5345.02	4510.46	15810.30
i) Current Assets, Loans and Advances	123245.17	197877.12	198025.76
j) Miscellaneous Expenditure	0.00	0.00	0.00
Total	203718.83	278245.73	303467.38
Capital Employed	132502.33	154306.70	204534.11
Net Worth	26393.05	32958.46	56492.48

Note :

- 1) Capital employed represents net fixed Assets incl. capital work-in-progress plus working capital.
- 2) Net worth represents paid up capital plus reserves and surplus less intangible assets.

2. Capital Structure :

The debt equity ratio of the Company was 1.5 both in 2003-04 and 2004-05 as against 1.1 during 2002-03.

3. The reserves and surplus stood at Rs.35661.20 lakh as on 31st March 2005 as against Rs.12854.77 lakh as on 31st March 2004 and Rs.5670.46 on 31st March 2003. The reserves and surplus represented 11.8 per cent of total liabilities during 2004-05 as compared to 4.6 during 2003-04 and 2.8 during 2002-03. The reserves and surplus was equivalent to 171.2 percent of equity capital during 2004-05 as against 63.9 percent during 2003-04 and 27.4 percent during 2002-03

4. Liquidity and Solvency :

- a) The percentage of current assets to total net assets stood at 65.3 in 2004-05 when compared to 71.1 in 2003-04 and 60.5 in 2002-03.
- b) The percentage of current assets to current liabilities (including provisions) stood at 197.7 in 2004-05 when compared to 158.4 in 2003-04 and 169.5 in 2002-03.
- c) The percentage of quick assets (sundry debtors, loans and advances and cash and bank balances) to current liabilities (excluding provisions) varied between 142.5 in 2002-03 to 119.9 in 2003-04 and 186.1 during 2004-05.

5. Working Capital :

The working capital (Current Assets, Loans and Advances less Current Liabilities and Provisions) at the close of three years upto 2004-05 amounted to Rs.52028.67 lakh, Rs.73938.08 lakh and Rs.99092.48 lakh respectively.

6. Working results :

The working results of the Company for the three years upto 31st March 2004-05 are tabulated below :

(Rs. in lakhs)

	2002-03	2003-04	2004-05
i) Profit(+)/Loss(-) for the year	1972.43	2233.43	11213.43
ii) Prior Period adjustments	0.00	-86.32	-2367.25
iii) Profit(+)/Loss(-) before Tax	1972.43	2147.11	8846.18
iv) Tax Provision	180.00	870.70	759.10
v) Profit (+)/Loss(-) after Tax	1792.43	1276.41	8087.08
vi) Percentage of Profit before Tax to			
a) Sales	0.84	0.66	2.43
b) Gross Fixed Assets	1.54	1.58	5.58
c) Capital Employed	1.49	1.39	4.33
vii) Percentage of Profit after Tax to			
a) Net Worth	6.79	3.87	14.32
b) Equity Capital	8.65	6.35	38.82
c) Capital Employed	1.35	0.83	3.95

7. Sources and Uses of Funds

Funds amounting to Rs.31440.03 lakh from internal sources and Rs.27171.22 lakh from other sources were utilised for the year 2004-05 as shown below :

Rupees in lakh

Increase in Gross Fixed Assets (Including Capital Work in Progress)	33706.61
Increase in Miscellaneous Expenditure	148.64
Borrowings	24756.00
Total	58611.25

8. Sundry Debtors and Turnover :

The following table indicates the value of book debts and sales for the three years ending 31st March 2005.

(Rs. in lakhs)

As on 31st March	Debts Considered		Total book debts	Sales	Percentage of Debtors to Sales	Sundry Debtors in terms of months' sales
	Good	Doubtful				
2003	93854.55	0.00	93854.55	235350.25	39.9	4.8
2004	142533.15	0.00	142533.15	324246.70	44.0	5.3
2005	155573.54	0.00	155573.54	364373.60	42.7	5.4

Sd/-

(K.P. LAKSHMANA RAO)
PR. ACCOUNTANT GENERAL
(CIVIL & COMMERCIAL AUDIT)
KARNATAKA, BANGALORE

BANGALORE

DATED: 21st October 2005



AUDITORS' REPORT

TO THE MEMBERS OF BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED.

- (I) We have audited the Balance Sheet of M/s BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, as at 31st March 2005 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date and submitted our Report dated 10th September 2005. Subsequently, the Accounts have undergone revision in the light of observations of the Comptroller & Auditor General of India. We have audited the attached Revised Balance Sheet of the Company as on 31.03.2005 and the revised Profit & Loss Account and the Cash Flow Statement annexed thereto of the Company for the year ended on that date and We Report on the same. 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.
- (II) We have 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
- (III) We report, further in terms of the Provisions of section 227 of the Companies Act, 1956, that:
 1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) 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.
 2. Further to our comments in the Annexure referred to in paragraph 1 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 purpose 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 such Books.
 - (c) The Balance Sheet, the Profit & 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 Section 211 (3C) of the Companies Act, 1956 subject to our remarks below:

The Accounting Principles / Policies enunciated in Electricity (Supply) Annual Accounts Rules, 1985 followed by the Company are not in total consonance with the Accounting Standards (AS) referred to in Section 211(3C) of the Companies Act, 1956. Attention is drawn to the departure of Accounting Policies of the Company in case of AS-2 of Valuation of Inventories, AS-6 of Accounting for Depreciation, AS-10 of Accounting for Fixed Assets, AS-15 of

Accounting for Retirement Benefits in the Financial Statements of Employers, AS-16 of Borrowing Costs, AS-22 of Accounting for Taxes on Income.

- (e) Government of India vide a General Circular No. 8/2002 dated 22.03.2002 has exempted the Directors of Government Companies from the provisions of Disqualification. Bangalore Electricity Supply Company Limited being a Government of Karnataka Undertaking, the Directors of the Company are therefore exempt from giving any written representations to the effect that they are not disqualified. Hence the provisions for disqualification of Directors of the Company under section 274(1)(g) of the Companies Act, 1956 do not apply.
- (f) Subject to the following that:
1. The Company is vested with fixed assets such as Land and Buildings and vehicles by virtue of the Transfer Scheme under Government Approval. The titles for the above assets are yet to be transferred in its name.
 2. We draw attention to the Notes on Accounts Para-1.3 of the Financial Statements of the Company for the year ended 31.03.2005, that the Company is vested with certain Assets and Liabilities as part of Karnataka Electricity Reform transfer scheme as on 01-06-2002 as the Opening Balances which are provisional in nature and are subject to an Audit and further approval of the Government as per the Government Order Dt 31-05-2003. **We observe that no steps are initiated to institute an Audit as per the Government Order for arriving at the Opening Balances for the past three years.** Any changes in the Opening Balances after the Audit or based on a thorough Due Diligence exercise being carried out at a later date either by KPTCL or any of the ESCOMs, may have bearing on Share Deposit Account of the Company. The Company to certain extent identified Opening Balances in certain assets and liabilities and transferred the same to Share Deposit Adjustment Account, which as per the Company's Management may have an impact on the Share Deposit Account. The same is subject to the approval of Government of Karnataka. The balance in the Share Deposit Adjustment Account is also subject to reconciliation of each such account/balance transferred. The impact of the same on the financials of the Company is not presently quantifiable.
 3. The Company has not followed the Accounting Standard-10 (AS-10), which deals with the Accounting for Fixed Assets for the assets transferred by KPTCL as on 01.06.2002. The values of the Fixed Assets are not carried in the Books of Accounts of the Company at transfer price (Gross Block reduced by Accumulated Depreciation) but at historical Cost of assets of Gross Block and accumulated depreciation as carried on by the KPTCL). Depreciation is being continued to be charged on Gross Block at Historical Prices of the Assets transferred to the Company in the Current Year also.
 4. Depreciation is not charged on Assets commissioned during the year and Depreciation is charged for the full year on Assets identified for the removal from the Fixed Assets Block including on the decommissioned Assets for repair and reuse. Depreciation is charged on SLM Rate prescribed by the Central Government Notification issued under the Electricity (supply) Act, 1948, which is not in accordance with the rates specified under Schedule XIV of the Companies Act, 1956. The amount of shortfall/Excess in such provision is not quantifiable.
 5. In case of addition of Decommissioned Repaired Assets to the Gross Block of Fixed Assets, the Written Down Value of Repaired assets are being adopted as the Gross Value of the Asset and the depreciation is provided on the Written Down Value. The Company has not retained the Gross values and the accumulated depreciation for these assets and depreciation is not charged on the original values of the Assets. This may result in extending the life cycle of the asset from the life period as against the originally decided lifetime of the assets. Also the disclosure to the extent of

decommissioned Assets at the time of decommissioning as deletions from the Gross Block and such decommissioned assets after their repair and put to use being disclosed as additions may impair the actual position of the Fixed Assets. The Policy of the Company is not in line with the Accounting Standard – 10 for Accounting for Fixed Assets as well as with the Accounting Standard–6 Accounting for Depreciation. The excess/short provision of Depreciation on these categories of Assets added to the Gross Block is not quantifiable.

6. The Company's inventories at various locations are old. The usefulness and serviceability is also subject to identification and inspection. It would not be possible to quantify the effect of obsolescence on the profitability of the Company for the year, but the same would have a material impact on the profitability of future years or in the year in which such identification and provision is made.
7. Inventories, stores and spares include the scrapped value of assets and value of faulty and dismantled assets for reuse, which is not a proper classification as per Accounting Standard–2 Valuation of Inventories. Also the value of scrapped assets and the realisability of such value is a question of fact. Any short fall in realisable value would have an impact on the Revenue of the current year. The value of the faulty and dismantled assets includes certain assets, which are not reusable but are not yet scrapped. The loss arising out of the same also is not quantifiable in the absence of relevant information.
8. Materials are valued at standard cost or purchase cost. The valuation of inventory is not carried out at the lower of cost and net realisable value and hence is not in consonance with Accounting Standard –2: Valuation of Inventories. The difference is not quantified.
9. The Material Cost Variance is accounted by the Company at the time of the payment to suppliers and not at the time of purchases where standard rates are attributed to the Materials bought. As a result, the Company is not accounting the Material Cost Variance to the extent of unpaid materials on accrual basis and the quantification of the same is not arrived at.
10. A provision of 20% on the Scrapped and Faulty and Dismantled Assets disclosed under the Inventory is maintained and the same is charged to Profit & Loss Account. In our opinion, a technical committee is to be constituted to arrive at the exact quantum of usefulness of the entire inventory, which in some cases is more than 20 to 25 years old. The value of inventory is to be arrived at after the verification of the Technical Committee and the inventory, which does not command usefulness or is technologically obsolescent, is to be written off.
11. Reserves and Surplus include Rs. 241,85,53,898/- (Previous Year Rs. 94,66,19,000 and Current year Rs.147,19,34,898) as Grants, Subsidies and Consumers' contribution towards Capital Assets. The Company has a policy of showing the Grants, Subsidies and Contributions and the full value of the Fixed Assets created out of such funds separately without deducting the contributions out of the Assets created. Depreciation is provided on the full value of the Assets capitalized without deducting the proportionate depreciation to the extent applicable on the Grants, Subsidies and Consumers' Contributions. The same is in variance to the requirements of AS –10 Accounting for Fixed Assets. The consequential effect on Grants, Subsidies and Consumers' Contributions by not deducting the relevant portion of the Depreciation on the Grants, Subsidies and Consumers' Contribution and crediting the same to the Profit and Loss Account is not quantifiable, in the absence of details with regard to the receipt of Grants, Subsidies and Contributions and the Specific Assets created out of such Funds.

12. By virtue of the Government Order No DE48 PSR 2003 dated 31.05.2003, a certain portion of the loans availed by KPTCL from various institutions have been transferred to BESCOM. The basis for such transfer is not provided to us for verification. The liabilities are not transferred in the name of the Company pending lenders' consent. In the light of the same, the Company is accounting the interest paid, Guarantee Commission to Government of Karnataka apart from accounting the loans from REC, PFC and UCO Bank based on the advise of KPTCL. The accuracy and rationale behind allocation of the loan portfolio are not placed for our verification with regard to the outstanding Principal Balances of the Loans, and the interests serviced thereon for the year.
13. The Company has carried the provision for Bad & Doubtful Debts of Rs. 254.21 Crores on Sundry Debtors as part of the Opening Balances as on 01.06.2002. As the basis for arriving at such provision is not furnished to us, we are unable to express our opinion on the accuracy of Sundry Debtors and the adequacy of provision thereof. Also the Company is maintaining a provision of 4% for Bad and Doubtful Debts on its Receivables. However, in our opinion based on poor collections and also longer periods taken to realize the receivables coupled with the Government Schemes of Waiver of certain categories of receivables, the adequacy of provision at 4% is not sufficient. The extent of provision to be made needs to be reviewed by the Company.
14. None of the balances of Sundry Debtors, Receivables and Payables, Sundry Creditors and Loans and Advances have been confirmed. As reported in the previous year's Annual Report, we do not observe any progress on this subject.
15. Security deposits from consumers include deposits received against debts pending in courts, arrears pursued, arrears from bill stopped services and disconnected services for which details are not available to disclose and present them under different heads.
16. The Company's Fixed Assets, Inventories and Cash Balances are partially insured and to the extent any financial misappropriation, loss/theft, damage to Inventory, Cash Balances and Capital Assets not covered is taken on record only on being reported. The investigations with regard to the accountability of the personnel in such cases have been continuing for a long time. The Company has not made any provision to meet such eventualities.
17. In our opinion, the Company is exposed to certain Data Security Risk or any other relevant risks in view of the absence of rights of ownership with the Company on the Monthly Billing Software.
18. The Company's Kolar O&M Division has carried a huge Inventory of Faulty & Dismantled Assets amounting to Rs. 12.07 Crores. Pending the Company's Inspection of the same and arriving at the actual value, the effect on the Financials of the Company is not quantified. The Division also carries a long pending receivables of Rs. 61,64,196 on account of sale of scrapped materials. In the absence of any details, the realisable value of the same may affect the Financials of the Company.
19. The Company continues to account Financials of MRT Division without bifurcating the Assets, Liabilities, Revenue and Expenditure of KPTCL and BESCOM. Upto 31-03-2005 the Company has accounted a total expenditure of Rs. 13.37 Crores (Current Year Rs. 4.12 Crores). The books of MRT Division also reflects certain adverse balances such as Accumulated Depreciation of a Particular Asset at Rs. 6.75 Crores against the Gross Value of the Asset at Rs. 0.55 Crores. Attention is drawn to our observation in Para 2 as above for the institution of Audit of Opening Balances. The impact of any ratio of apportionment of the Division and its Assets will have a bearing on the Net worth/ Financials of the Company.

20. Other Current Assets include unreconciled Inter Unit Accounts (IUAs)/ relating to
- CWIP, Fixed Assets, Deprecation Provision, Obsolete and Released Assets to an extent of Rs.11, 58,51,950/-.
 - On account of Other Transactions and adjustments between divisions Rs. 60,01,28,490.
 - Cash found short pending investigation of Rs. 5.13 lacs is shown under recoverable from employees for a long time.
- The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.
21. Current Liabilities include an amount of Rs. 8,87,514/- on account of Excess credits in Bank Accounts not reconciled by the Company. The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.
22. Sundry receivables from KPTCL, MESCOM, GESCOM, HESCOM include receivables which are to some extent should not have been categorized as receivables keeping in view of the nature of transactions. These accounts are to be reconciled and any observance with regard to misclassification may have to be either charged to Revenue Account or Share Deposit –Adjustment account. The impact of the same is not ascertained pending reconciliation.
23. The Company as per the BRP-II Government Order No.DE8BSR 2002 Dated 09.01.2003 is supposed to maintain GOK Ledger for such collections out of the receivables which were removed from the Live Ledgers at the Sub-Division Level as part of the Restructuring Programme. We observe that the Company has not maintained any such Ledger Account for GOK and all such collections out of the said receivables have been wrongly accounted through the Company's DCB Statements and thereby the receivables of the Company are understated to the extent. In the absence of a separate Ledger Account for GOK, the quantum of collections is not ascertainable.
24. Attention is drawn to the Para 7.5 of Notes on Accounts wherein it is observed that an amount of Rs. 49.12 Crores has been provisionally reported as erroneous Excess demand (net) for the sale of power due to the various factors relating to the Computerised Billing System. The Company has made a provision to the extent on account of the same. However, any differences arising out of the detailed scrutiny and investigation of such accounts may have impact on the Financials.
25. Amounts payable to KPTCL and other ESCOMS are also subject to reconciliation and include certain amounts not payable due to misclassification or keeping the nature of transactions in view. The quantum of the same is not ascertained and the amount of such non-payable portion may have impact either on Revenue or on Share Deposit Adjustment Account.
26. The Company carries certain adverse balances in various account heads, which are not reconciled for a long time and the effect is not quantified. In our opinion such balances may have an impact on the financials of the Company.
27. As the Company posted a Net Profit of Rs. 88.46 Crores on account of its regular operations, no Subsidy on account of Revenue Gap has arisen. Hence the Company has not made any claim for Subsidy from Government of Karnataka (as against the usual 3% Rate of Return on its Opening Balance of Net Fixed Assets as subsidy). Further, we observe that the Company has not claimed any Rural Electrification subsidy from the Government of Karnataka under the PURCHASER PROVIDER MODEL, which works out to Rs 300.19 Crores for the year 2004-05.

28. In view of the entire staff of BESCOM being on deputation from KPTCL, the Company is yet to evolve a system of routing the rentals collected /rentals paid through payables/receivables to KPTCL/ Other ESCOM's. The impact on the Receivables/Payables to KPTCL and other ESCOMs on account of these transactions is not quantified.
29. The Company has an Accounting Policy for Accounting Retirement Benefits as per the Actuarial Valuation, which is as per the provisions of the Accounting Standard –15. However, for the year under consideration no Actuarial Valuation has been conducted and the same is in variance with AS 15. Provision for Pension and Gratuity is made as per the advise of the KPTCL & other ESCOMs Pension and Gratuity Fund Trusts. Any additional demand in future by the Trust on account of Current Year's provision would have an impact on the profitability of the Company.
- No Actuarial Valuation is carried out for making provision for Leave encashment. The Company has provided for leave encashment provision on a provisional estimate. The same is in variance with AS 15.
- In the absence of information on actuarial valuation, we are unable to quantify the variance and the consequential effect on the Profit and Loss Account of the year.
30. The Company has not provided the Deferred Tax Liabilities/Asset as per the Accounting Standard –22 for accounting for taxes on income. The same is not quantified in the absence of the details with respect to opening balance in books of accounts as well as under Income Tax Act.
31. No wealth tax provision has been made by the Company in respect of Motor Cars. In the absence of the details of Written Down Value under the provisions of the Income Tax Act, the provision for the liability is not presently quantifiable.
32. In the absence of any clear guidelines for treating contingent liabilities under the transfer scheme, any liabilities contingent in nature and such liabilities crystallized in the current year and are going to crystallize in future years in the hands of the Company, and its treatment would have a bearing on the Financial Statements of the Company.
- (g) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet, the Profit & Loss Account and the Cash Flow Statement read together with the Schedules and 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 2005.
- (ii) In the case of the Profit & Loss Account, of the Profit of the Company for the period ended on that date.
- (iii) In case of the Cash Flow Statement, of the Cash Flows for the period ended on that date

(K.VENKATESH)

Partner

Membership Number. 28348

For & On behalf of

MURALI & VENKAT

Chartered Accountants

BANGALORE

18th OCTOBER 2005

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1.
 - a. The Company has records to show particulars of Fixed Assets, which are not updated and does not include quantitative details and situation of all Fixed Assets. The Company is yet to obtain title deeds of the Land owned by it in its name and is in the process of getting the vehicles transferred in its name.
 - b. The Fixed Assets of the Company have not been physically verified by the Management and any discrepancies between the book records and physical verification may have a bearing on the Financials of the Company. Attention is drawn to Para Nos (f). 1,2,19,22 and 25 of our Audit Report. The Management of the Company is in the process of identifying the assets that are of transmission in nature and also that of other ESCOMs erroneously grouped under the Assets of the Company. The process of identification is not complete. Any differences arising on this account would have a bearing on the Fixed Assets in number and value.
 - c. During the year, in our opinion, based on the information and explanation given to us, no substantial part of Fixed Assets has been disposed off by the Company.
2.
 - a. The inventory has been physically verified during the year by the Management. In our opinion, the frequency of physical verification of stocks followed by the management needs to be strengthened with increased frequency and coverage.
 - b. The Procedures of Physical Verification of stocks followed by the Management need to be further strengthened keeping in view the size of the Company and the nature of its business to ascertain the usefulness and also to identify the deterioration and obsolescence of the inventory.
 - c. On the basis of our examination of records of Inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification of stocks as compared to book records have been properly dealt in the Books of Accounts.
3. Based on the information available and as informed to us, the Company has neither granted nor taken any loans, secured or unsecured to/from Companies, Firms or other Parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, requirements of sub -clauses (iii-b), (iii-c), (iii-d), (iii-f) (iii-g) of paragraph 4 of the Order are not applicable.
4. In our opinion, **the internal control system need to be strengthened** to be commensurate with the size of the Company and the nature of its business, for purchase of Fixed Assets, Stores and Consumables and for the sale of energy. **The shortages in materials, cash embezzlement, cash found short pending investigation, carrying huge balances in unreconciled IUA Accounts, certain Bank Accounts not reconciled for longer periods are indicators towards the lack or diluted internal controls. Non-exercise of timely internal controls is a continuing feature over the years.**
5.
 - a. There are transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under

Section 301 of the Companies Act, 1956 in respect of Karnataka Power Transmission Corporation Limited (KPTCL) and other ESCOMS during the year.

- b. The prices adopted are at Standard Rate or at Purchase Rate as the case may be in case of Material transfers and the purchase price for the power is at a rate, which is based on an agreement.
6. The Company has not accepted any deposit from the public.
7. The Company has instituted an Internal Audit system of its own, and presently it is carried out by the staff of the Company. In our Opinion, the Internal Audit system needs to be strengthened.
8. The maintenance of Cost Records has been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of the activities of the Company for the year under reference and the Company has not maintained any Cost Records as prescribed.
9. We have been informed that the provisions of the Provident Fund Act and Employees State Insurance Act are applicable to the Company for the Contract Employees and **we observe that the Company is not regular in remitting the PF and other Dues during the year.** There are no undisputed and outstanding amounts payable in respect of Provident Fund, ESI, Income-Tax, Sales Tax, Customs Duty and Excise Duty, Cess or any other statutory dues which have remained outstanding as at 31st March 2005, for a period of more than six months from the date they became payable. **In respect of Wealth Tax Dues, the Company is yet to arrive the Tax Liability as at 31-03-2005.**
10. According to information and explanation given to us, the company does not have any Disputed dues of Income Tax /Sales Tax/Service Tax/ Custom Duty/ Wealth tax/ Excise Duty/Cess.
11. The Company does not have accumulated losses at the end of the Financial Year and has not incurred cash losses in the current or in the immediately preceding financial year.
12. According to the information and explanation given to us, and based on our observations during the audit, the Company has not defaulted in repayment of dues to Financial Institutions or Banks from which the borrowings were made directly by the Company. We are unable to comment on the repayment of loans transferred from the KPTCL, since the details of defaults on such loans, if any, are not available to us.
13. 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 share, debentures and other securities.
14. The provisions of any special statute applicable to Chit Funds/ Nidhi/ Mutual Benefits Funds/Society do not apply to the Company.
15. In our opinion and according to the information and explanations given to us, the Company is not a Dealer or Trader in shares, securities, debentures or other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
16. According to the information and explanations given to us and the representations made by the management, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
17. According to the information and explanation given to us, and based on our observations during the audit, the Company has applied the term loans taken during the year for the purpose for which the loans were obtained.

18. According to information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that No short Term Funds have been used for Long-Term Investment.
19. 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.
20. The Company has not issued any debentures.
21. The Company has not raised any money through a public issue during the year.
22. The Management of the Company is in the process of collecting the details of fraud on or by the company. The Company has found that One of its Employee at sub-division level has fraudulently embezzled cash collections of the Company to the tune of Rs 35.55 Lacs, and the Action for recovery proceedings is in process and in other cases we are unable to comment on the nature and the amount involved pending investigation by the Company.

(K.VENKATESH)

Partner

Membership Number. 28348

For & On behalf of

MURALI & VENKAT

Chartered Accountants

BANGALORE.
18th OCTOBER 2005

Addendum to Directors' Report for the year ended 31st March 2005

Replies offered on the observation/comments of the Statutory Auditors on the accounts of the Company for the year 2004-05 are as follows

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
1	2(d)	The Accounting Principles/ Policies enunciated in Electricity (Supply) Annual Accounts Rules, 1985 followed by the Company are not in total consonance with the Accounting Standards (AS) referred to in Section 211(3C) of the Companies Act, 1956. Attention is drawn to the departure of Accounting Policies of the Company in case of AS-2 of Valuation of Inventories, AS-6 of Accounting for Depreciation, AS-10 of Accounting for Fixed Assets, AS-15 of Accounting for Retirement Benefits in the Financial Statements of Employers, AS-16 of Borrowing Costs, AS-22 of Accounting for Taxes on Income.	Consequent to unbundling and notifying the transfer scheme, the Company is formed on 1-6-2002 and being a successor entity of erstwhile KEB & KPTCL, the Company has adopted the Accounting system followed by these entities earlier, which is based on Electricity Supply Act 1948, Electricity (supply) Annual Accounts Rules, 1985. However, the Company would review in future to comply the Accounting Standards/ Electricity Act 2003. Point wise reply also indicated below.
2	2(f)(1)	Subject to the following that : The Company is vested with fixed assets such as Land and Buildings and vehicles by virtue of the Transfer Scheme under Government Approval. The titles for the above assets are yet to be transferred in its name.	Factual Company is making efforts to ascertain the title to the Assets.
3	2(f)(2)	We draw attention to the Notes on Accounts Para-1.3 of the Financial Statements of the Company for the year ended 31.03.2005 that the Company is vested with certain Assets and Liabilities as part of Karnataka Electricity Reform transfer scheme as on 01-06-2002 as the Opening Balances which are provisional in nature and are subject to an Audit and further approval of the Government as per the Government Order Dt 31-05-2003. We observe that no steps are initiated to institute an Audit as per the Government Order for arriving at the Opening Balances for the past three years. Any changes in the Opening Balances after the Audit or based on a thorough Due Diligence exercise being carried out at a later date either by KPTCL or any of the ESCOMs, may have bearing on Share Deposit Account of the Company. The Company to certain extent identified Opening Balances in certain assets and liabilities and transferred the same to Share Deposit Adjustment Account, which as per the Company's Management may have an impact on the Share Deposit Account. The same is subject to the approval of	Factual Any effect on Accounts and further approval to be accorded by the Government of Karnataka in continuation to order dated 7-10-2004 would be adjusted/accounted in ensuing years.

SI. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		Government of Karnataka. The balance in the Share Deposit Adjustment Account is also subject to reconciliation of each such account/balance transferred. The impact of the same on the financials of the Company is not presently quantifiable.	
4	2(f)(3)	The Company has not followed the Accounting Standard-10 (AS-10), which deals with the Accounting for Fixed Assets for the assets transferred by KPTCL as on 01.06.2002. The values of the Fixed Assets are not carried in the Books of Accounts of the Company at transfer price (Gross Block reduced by Accumulated Depreciation) but at historical Cost of assets of Gross Block and accumulated depreciation as carried on by the KPTCL. Depreciation is being continued to be charged on Gross Block at Historical Prices of the Assets transferred to the Company in the Current Year also.	Being a successor entity of erstwhile KEB and KPTCL, and since the assets are transferred under Transfer scheme, the Company has adopted the accounting system followed by these entities earlier, which is based on Electricity Supply Annual Accounts Rules, 1985. However, the same would be reviewed in due course of time to comply with Accounting Standard.
5	2(f)(4)	Depreciation is not charged on Assets commissioned during the year and Depreciation is charged for the full year on Assets identified for the removal from the Fixed Assets Block including on the decommissioned Assets for repair and reuse. Depreciation is charged on SLM Rate prescribed by the Central Government Notification issued under the Electricity (supply) Act, 1948, which is not in accordance with the rates specified under Schedule XIV of the Companies Act, 1956. The amount of shortfall/ Excess in such provision is not quantifiable.	Schedule X1V of Companies Act clearly provides for exemption for Electricity Companies for which the Electricity Supply Act and rules are applicable.
6	2(f)(5)	In case of addition of Decommissioned Repaired Assets to the Gross Block of Fixed Assets, the Written Down Value of Repaired assets are being adopted as the Gross Value of the Asset and the depreciation is provided on the Written Down Value. The Company has not retained the Gross values and the accumulated depreciation for these assets and depreciation is not charged on the original values of the Assets. This may result in extending the life cycle of the asset from the life period as against the originally decided lifetime of the assets. Also the disclosure to the extent of decommissioned Assets at the time of decommissioning as deletions from the Gross Block and such decommissioned assets after their repair and put to use being disclosed as additions may impair the actual position of the Fixed Assets. The Policy of the Company is not in line with the Accounting Standard – 10 for Accounting for Fixed Assets as well as with the	As successor entity of erstwhile KPTCL, the existing procedure followed in the KPTCL is continued due to complexity of operations. However, the issue would be examined in future to comply with the accounting standards.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		Accounting Standard – 6 Accounting for Depreciation. The excess/short provision of Depreciation on these categories of Assets added to the Gross Block is not quantifiable.	
7	2(f)(6)	The Company's inventories at various locations are old. The usefulness and serviceability is also subject to identification and inspection. It would not be possible to quantify the effect of obsolescence on the profitability of the Company for the year, but the same would have a material impact on the profitability of future years or in the year in which such identification and provision is made.	Company is having the practice of identifying absolute, unserviceable and scrap assets. After examining the issues in detail, proper treatment would be considered at appropriate time.
8	2(f)(7)	Inventories, stores and spares include the scrapped value of assets and value of faulty and dismantled assets for reuse, which is not a proper classification as per Accounting Standard –2 Valuation of Inventories. Also the value of scrapped assets and the realisability of such value is a question of fact. Any short fall in realisable value would have an impact on the Revenue of the current year. The value of the faulty and dismantled assets includes certain assets, which are not reusable but are not yet scrapped. The loss arising out of the same also is not quantifiable in the absence of relevant information.	Estimation is made according to the views of technical experts and accordingly accounted. Efforts are being made to identify the value of scrap/dismantling assets. Effect on this would also be accounted on such identification.
9	2(f)(8)	Materials are valued at standard cost or purchase cost. The valuation of inventory is not carried out at the lower of cost and net realizable value and hence is not in consonance with Accounting Standard –2: Valuation of Inventories. The difference is not quantified.	Due to complexity of situation, the existing procedure followed by the erstwhile KPTCL was continued. However, efforts would be made to comply with the Accounting Standards in future.
10	2(f)(9)	The Material Cost Variance is accounted by the Company at the time of the payment to suppliers and not at the time of purchases where standard rates are attributed to the Materials bought. As a result, the Company is not accounting the Material Cost Variance to the extent of unpaid materials on accrual basis and the quantification of the same is not arrived at.	Practice followed earlier in KPTCL is adopted. In Company's opinion, value may not be significant. However, the issue would be examined in future.
11	2(f)(10)	A provision of 20% on the Scrapped and Faulty and Dismantled Assets disclosed under the Inventory is maintained and the same is charged to Profit and Loss Account. In our opinion, a technical committee is to be constituted to arrive at the exact quantum of usefulness of the entire inventory, which in some cases is more than	The Company is making efforts to constitute a committee to examine this in detail. On evaluation of inventories, proper treatment will be given.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		20 to 25 years old. The value of inventory is to be arrived at after the verification of the Technical Committee and the inventory, which does not command usefulness or is technologically obsolescent, is to be written off.	
12	2(f)(11)	Reserves and Surplus include Rs. 241,85,53,898/- (Previous Year Rs. 94,66,19,000 and Current year Rs.147,19,34,898) as Grants, Subsidies and Consumers' contribution towards Capital Assets. The Company has a policy of showing the Grants, Subsidies and Contributions and the full value of the Fixed Assets created out of such funds separately without deducting the contributions out of the Assets created. Depreciation is provided on the full value of the Assets capitalized without deducting the proportionate depreciation to the extent applicable on the Grants, Subsidies and Consumers' Contributions. The same is in variance to the requirements of AS -10 Accounting for Fixed Assets. The consequential effect on Grants, Subsidies and Consumers' Contributions by not deducting the relevant portion of the Depreciation on the Grants, Subsidies and Consumers' Contribution and crediting the same to the Profit and Loss Account is not quantifiable, in the absence of details with regard to the receipt of Grants, Subsidies and Contributions and the Specific Assets created out of such Funds.	Practice followed earlier in KPTCL has been adopted. However, efforts would be made to comply with Accounting Standards in future.
13	2(f)(12)	By virtue of the Government Order No DE48 PSR 2003 dated 31.05.2003, a certain portion of the loans availed by KPTCL from various institutions have been transferred to BESCOM. The basis for such transfer is not provided to us for verification. The liabilities are not transferred in the name of the Company pending lenders' consent. In the light of the same, the Company is accounting the interest paid, Guarantee Commission to Government of Karnataka apart from accounting the loans from REC, PFC, and UCO Bank based on the advise of KPTCL. The accuracy and rationale behind allocation of the loan portfolio are not placed for our verification with regard to the outstanding Principal Balances of the Loans and the interests serviced thereon for the year.	Both KPTCL & BESCOM are Government Companies. Consequent to unbundling and issue of transfer schemes as per Government order what ever the loan details identified and transferred by the KPTCL, the same was accounted & also produced to Audit for verification. Any variation observed in future, it would be got confirmed and accounted at appropriate time.
14	2(f)(13)	The Company has carried the provision for Bad & Doubtful Debts of Rs 254.21 Crores on Sundry Debtors as part of the Opening Balances as on 01.06.2002. As the basis for arriving at such provision is not furnished to us, we are unable to express our opinion on the accuracy of	These are identified by FDP consultants and the same was transferred by Government at the time of notifying the transfer scheme.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		<p>Sundry Debtors and the adequacy of provision thereof. Also the Company is maintaining a provision of 4 % for Bad and Doubtful Debts on its Receivables.</p> <p>However, in our opinion based on poor collections and also longer periods taken to realize the receivables coupled with the Government Schemes of Waiver of certain categories of receivables, the adequacy of provision at 4% is not sufficient. The extent of provision to be made needs to be reviewed by the Company.</p>	<p>Abstract details produced on this verified by Audit including Rs. 96.7 crores out of Rs. 254 crores utilized for waiver off of IP set dues. Further efforts are made to obtain item wise details from KPTCL and would be accounted at appropriate time. However, as better prudence, provision made is continued in books.</p> <p>The issue would be examined in future.</p>
15	2(f)(14)	None of the balances of Sundry Debtors, Receivables and Payables, Sundry Creditors and Loans and Advances have been confirmed. As reported in the previous year's Annual Report, we do not observe any progress on this subject.	<p>As successor entity of erstwhile KEB/ KPTCL, the existing procedure followed in KPTCL is continued in respect of sundry debtors for sale of power/sundry creditors/ advances.</p> <p>In respect of Receivables & Payables; reconciliation is in progress; balances are confirmed by ESCOMs/KPTCL.</p> <p>Appropriate action would be taken at appropriate time.</p>
16	2(f)(15)	Security deposits from consumers include deposits received against debts pending in courts, arrears pursued, arrears from bill stopped services and disconnected services for which details are not available to disclose and present them under different heads.	<p>Since entire deposit items transferred under Transfer Scheme require item wise details, this has been accounted based on the opening balances transferred. However, efforts are being made to identify particulars for each item and required accounting treatment will be given at appropriate time on such findings.</p>
17	2(f)(16)	The Company's Fixed Assets, Inventories and Cash Balances are partially insured and to the extent any financial misappropriation, loss/theft, damage to Inventory, Cash Balances and Capital Assets not covered is taken on record only on being reported. The investigations with regard to the accountability of the personnel in such cases have been continuing for a long time. The Company has not made any provision to meet such eventualities.	<p>Company has taken action to cover under insurance (with M/s. United India Insurance Company Limited and Oriental insurance company Limited) the Transformers, Buildings, Furniture's, office Equipments, Inventory & Cash in Cash safe.</p>
18	2(f)(17)	In our opinion, the Company is exposed to certain Data Security Risk or any other relevant risks in view of the absence of rights of ownership with the Company on the Monthly Billing Software.	<p>Action will be initiated to obtain the rights of ownership by the company in respect of software</p>

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
19	2(f)(18)	The Company's Kolar O&M Division has carried a huge Inventory of Faulty & Dismantled Assets amounting to Rs. 12.07 Crores. Pending the Company's Inspection of the same and arriving at the actual value, the effect on the Financials of the Company is not quantified. The Division also carries a long pending receivables of Rs. 61,64,196 on account of sale of scrapped materials. In the absence of any details, the realisable value of the same may affect the Financials of the Company.	Factual Huge balance of inventory reduced during september 2006.
20	2(f)(19)	The Company continues to account Financials of MRT Division without bifurcating the Assets, Liabilities, Revenues and Expenditure of KPTCL and BESCOM. Upto 31-03-2005 the Company has accounted a total expenditure of Rs. 13.37 Crores (Current Year Rs. 4.12 Crores). The books of MRT Division also reflects certain adverse balances such as Accumulated Depreciation of a Particular Asset at Rs. 6.75 Crores against the Gross Value of the Asset at Rs. 0.55 Crores. Attention is drawn to our observation in Para 2 as above for the institution of Audit of Opening Balances. The impact of any ratio of apportionment of the Division and its Assets will have a bearing on the Net worth/Financials of the Company.	Factual Necessary action will be taken to bifurcate the assets and liabilities pertaining to distribution system.
21	2(f)(20)	Other Current Assets include unreconciled Inter Unit Accounts (IUAs)/ relating to a) CWIP, Fixed Assets, Deprecation Provision, Obsolete and Released Assets to an extent of Rs.11,58,51,950/-. b) On account of Other Transactions and adjustments between divisions Rs. 60,01,28,490. c) Cash found short pending investigation of Rs. 5.13 lacs is shown under recoverable from employees for a long time. The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.	Existing practice as in KPTCL continued and adopted. However, efforts would be taken to give proper Accounting treatment at appropriate time.
22	2(f)(21)	Current Liabilities include an amount of Rs. 8,87,514/- on account of Excess credits in Bank Accounts not reconciled by the Company. The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.	Being reconciled with reference to remittance by Units to Head office/entries in pass sheet; and proper accounting treatment will be given at appropriate time.
23	2(f)(22)	Sundry receivables from KPTCL, MESCOM, GESCOM, HESCOM include receivables which are to some extent	Reconciliation is in progress and action taken to verify each receivable item and to

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		should not have been categorized as receivables keeping in view of the nature of transactions. These accounts are to be reconciled and any observance with regard to misclassification may have to be either charged to Revenue Account or Share Deposit – Adjustment account. The impact of the same is not ascertained pending reconciliation.	reconcile the same with KPTCL/other ESCOMS. Proper treatment will be given at appropriate time.
24	2(f)(23)	The Company as per the BRP-II Government Order No. DE8BSR 2002 Dated 09.01.2003 is supposed to maintain GOK Ledger for such collections out of the receivables which were removed from the Live Ledgers at the sub-Division Level as part of the Restructuring Programme. We observe that the Company has not maintained any such Ledger Account for GOK and all such collections out of the said receivables have been wrongly accounted through the Company's DCB Statements and thereby the receivables of the Company are understated to the extent. In the absence of a separate Ledger Account of GOK, the quantum of collections is not ascertainable.	GoK Ledger are maintained at Sub Division level.
25	2(f)(24)	Attention is drawn to the Para 7.5 of Notes on Accounts wherein it is observed that an amount of Rs. 49.12 Crores has been provisionally reported as erroneous Excess demand (net) for the sale of power due to the various factors relating to the Computerized Billing System. The company has made a provision to the extent on account of the same. However, any differences arising out of the detailed scrutiny and investigations of such accounts may have impact on the Financials.	Factual
26	2(f)(25)	Amounts payable to KPTCL and other ESCOMS are also subject to reconciliation and include certain amounts not payable due to misclassification or keeping the nature of transactions in view. The quantum of the same is not ascertained and the amount of such non-payable portion may have impact either on Revenue or on Share Deposit Adjustment Account.	Reconciliation is in progress to verify each payable item and to reconcile the same with KPTCL/other ESCOMS. Proper accounting treatment will be given at appropriate time.
27	2(f)(26)	The Company carries certain adverse balances in various account heads, which are not reconciled for a long time and the effect is not quantified. In our opinion such balances may have an impact on the financials of the Company.	Factual Action has been initiated to rectify adverse balance during 2005-06.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
28	2(f)(27)	As the Company posted a Net Profit of Rs.88.46 Crores on account of its regular operations, no Subsidy on account of Revenue Gap has arisen. Hence the Company has not made any claim for Subsidy from Government of Karnataka (as against the usual 3% Rate of Return on its Opening Balance of Net Fixed Assets as subsidy). Further, we observe that the Company has not claimed any Rural Electrification subsidy from the Government of Karnataka under the purchaser provider model, which works out to Rs.300.19 Crores for the year 2004-05	Factual
29	2(f)(28)	In view of the entire staff of BESCOM being on deputation from KPTCL, the Company is yet to evolve a system of routing the rentals collected /rentals paid through payables/receivables to KPTCL/Other ESCOM's. The impact on the Receivables/Payables to KPTCL and other ESCOMs on account of these transactions is not quantified	The rent receivable / payable to KPTCL/ ESCOMs are accounted as cash transaction and the amount received or paid through Bank.
30	2(f)(29)	<p>The Company has an Accounting Policy for Accounting Retirement Benefits as per the Actuarial Valuation, which is as per the provisions of the Accounting Standard –15. However, for the year under consideration no Actuarial Valuation has been conducted and the same is in variance with AS 15. Provision for Pension and Gratuity is made as per the advise of the KPTCL & other ESCOMs Pension and Gratuity Fund Trusts. Any additional demand in future by the Trust on account of Current Year's provision would have an impact on the profitability of the Company.</p> <p>No Actuarial Valuation is carried out for making provision for Leave encashment. The Company has provided for leave encashment provision on a provisional estimate. The same is in variance with AS 15.</p> <p>In the absence of information on actuarial valuation, we are unable to quantify the variance and the consequential effect on the Profit and Loss Account of the year.</p>	<p>Factual.</p> <p>As all the employees of the Company are treated as employees of KPTCL deputed to the Company and since the Government has formed the KPTCL/ESCOM's Pension/ Gratuity Trust, the Company is contributing towards these liabilities on the basis of information received from the KPTCL. Further, since actuarial valuation was not got done by KPTCL as on 31.03.2004, the FB liability has been accounted on the basis of previous actuarial valuation.</p>
31	2(f)(30)	The Company has not provided the Deferred Tax Liabilities/ Asset as per the Accounting Standard – 22 for accounting for taxes on income. The same is not quantified in the absence of the details with respect to opening balance in books of accounts as well as under Income Tax Act.	Individual year-wise, item-wise details from KPTCL required to assess exact deferred tax liability/asset. However, the issue would be reviewed to comply with Accounting Standards in future.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
32	2(f)(31)	No wealth tax provision has been made by the Company in respect of Motor Cars. In the absence of the details of Written Down Value under the provisions of the Income Tax Act, the provision for the liability is not presently quantifiable.	Since transfer of title and its details are in process, this has not been provided for. However, liability will be made at appropriate time and on demand.
33	2(f)(32)	In the absence of any clear guidelines for treating contingent liabilities under the transfer scheme, any liabilities contingent in nature and such liabilities crystallized in the current year and are going to crystallize in future years in the hands of the Company, and its treatment would have a bearing on the Financial Statements of the Company.	Factual.

Sd/-
Managing Director

BALANCE SHEET AS AT 31ST MARCH 2005

Amount in Rupees

Sl. No.	Particulars	Sch. No.	Current Year 2004-05	Previous Year 2003-04
I.	SOURCES OF FUNDS :			
1.	Share holders' Funds			
	Share Capital	1	205,95,00,000	5,00,000
	Share Deposit	1A	3,07,72,172	205,91,51,353
	Share Deposit Adjustment account	1B	(71,44,378)	(4,92,81,953)
	Reserves and Surplus	2	356,61,20,003	128,54,77,690
			564,92,47,797	329,58,47,090
2.	Loans / Funds			
	Secured Loans	3	390,26,37,440	331,06,89,866
	Unsecured Loans	4	77,31,41,167	10,47,59,535
			467,57,78,607	341,54,49,401
3.	Other Funds			
	Service Line and Security Deposits	5	1000,48,67,488	862,08,32,820
	TOTAL - I		2032,98,93,892	1533,21,29,311
II.	APPLICATION OF FUNDS :			
1.	Fixed Assets			
	(a) Gross Block	6	1585,78,01,510	1361,71,23,654
	(b) Less : Depreciation		689,46,68,724	603,13,09,316
	(c) Net Block		896,31,32,786	758,58,14,338
	(d) Capital Works in Progress	7	158,10,29,533	45,10,47,005
			1054,41,62,319	803,68,61,343
2.	Current Assets, Loans and Advances			
	(a) Inventories, Stores & Spares	8	52,33,05,410	43,47,25,983
	(b) Sundry Debtors	9	1555,73,53,907	1425,33,15,110
	(c) Cash and Bank Balances	10	54,80,49,455	33,25,36,662
	(d) Loans, Advances and Deposits	11	215,40,27,452	14,72,40,968
	(e) Other Current Assets	12	101,98,40,336	461,98,93,954
	Total-2		1980,25,76,560	1978,77,12,677
	Less :			
	Current Liabilities & Provisions	13	1001,68,44,987	1249,24,44,709
	Net Current Assets		978,57,31,573	729,52,67,968
	Significant Account Policies and Notes on Accounts	24		
	TOTAL - II		2032,98,93,892	1533,21,29,311

The schedules referred to above form an integral part of the Balance Sheet

 Sd/-
(D. Babu Rao)
 Chief General Manager (F&C)

 Sd/-
(B.M.Govinda Raju)
 Director (Technical)

 Sd/-
(G. Kumar Naik)
 Managing Director

 As per our Report annexed
 Sd/-

(K. Venkatesh)
 Partner

 for & on behalf of Murali & Venkat
 Chartered Accountants

 Place : Bangalore
 Date : 17th Oct. 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

Amount in Rupees

Sl. No.	Particulars	Sch. No.	Current Year 2004-05		Previous Year 2003-04	
I.	INCOME					
1.	Revenue from sale of power	14	3643,73,59,781		3242,46,70,349	
2.	Rural Electrification Subsidy-GoK		-		188,50,76,460	
3.	Other Income	15	11,98,00,496		22,86,33,993	
	TOTAL			3655,71,60,277		3453,83,80,802
II.	EXPENDITURE					
1.	Purchase of Power - KPTCL	16	3041,37,71,469		2980,64,23,742	
2.	Repairs and Maintenance	17	32,15,54,515		31,27,34,988	
3.	Employees Costs	18	249,40,25,819		248,75,00,324	
4.	Administrative and Other Expenses	19	46,32,79,079		26,95,78,182	
5.	Other Charges (Debits)	20	50,38,68,290		15,43,06,365	
	TOTAL			3419,64,99,172		3303,05,43,601
III.	Profit/Loss before Depreciation and Interest Depreciation (Net)	21	99,04,18,320	236,06,61,105	94,35,33,416	150,78,37,201
IV.	Profit/Loss before interest and Taxes Interest and other Charges	22	24,88,99,922	137,02,42,785	34,09,61,063	56,43,03,785
	Profit before prior period charges of credits			112,13,42,863		22,33,42,722
V.	Prior period credits (+) / charges(-)	23	(23,67,25,450)		(86,31,658)	
VI.	Profit before Reserve & Taxation Reserve for Contingencies			88,46,17,413		21,47,11,064
VII.	Profit before Taxation Provision for Taxation		7,59,10,000	88,46,17,413	8,70,70,000	21,47,11,064
VIII.	Profit after Taxation			80,87,07,413		12,76,41,064
IX.	Balance of Profit brought over from previous year		30,68,84,336			17,92,43,272
	Balance carried to Balance Sheet			111,55,91,749		30,68,84,336
X.	Appropriation Balance surplus carried to Balance Sheet			111,55,91,749		30,68,84,336
XI.	Significant Accounting Policies and Notes on Accounts	24				

The schedules referred to above form an integral part of the Profit and Loss Account

Sd/-
(D. Babu Rao)
Chief General Manager (F&C)

Sd/-
(B.M.Govinda Raju)
Director (Technical)

Sd/-
(G. Kumar Naik)
Managing Director

As per our Report annexed
Sd/-

(K. Venkatesh)
Partner

for & on behalf of Murali & Venkat
Chartered Accountants

Place : Bangalore
Date : 17th Oct. 2005

SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2005
SCHEDULE : 01 SHARE CAPITAL

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Authorised Capital 25,00,00,000 Equity shares of Rs. 10/- each		<u>250,00,00,000</u>	<u>1,00,00,000</u>
2	Issued, Subscribed and Paid up			
a	Issued Capital 20,59,50,000 Equity shares of Rs.10/- each		<u>205,95,00,000</u>	<u>5,00,000</u>
b	Subscribed Capital 20,59,50,000 Equity shares of Rs.10/- each		<u>205,95,00,000</u>	<u>5,00,000</u>
c	Paid Up Capital 20,59,50,000 Equity shares of Rs.10/- each Fully paid up	52.301	<u>205,95,00,000</u>	<u>5,00,000</u>
TOTAL			205,95,00,000	5,00,000

SCHEDULE : 1A SHARE DEPOSIT

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Share Deposit (as per GoK Notification) (Pending allotment)	52.302 52.303	3,07,72,172	205,91,51,353

SCHEDULE : 1B SHARE DEPOSIT ADJUSTMENT ACCOUNT

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Opening Balance	52.402	(4,92,81,953)	1,26,07,834
	Less : current year adjustment (Pending GoK approval)		4,21,37,575	6,18,89,787
TOTAL			(71,44,378)	(4,92,81,953)

SCHEDULE : 02 RESERVES AND SURPLUS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Contributions, grants and subsidies towards cost of Capital assets	55.1	241,85,53,898	94,66,19,000
2	Reserve for Contingencies	56.64	3,19,74,354	3,19,74,354
3	Surplus in Profit and Loss Account		111,55,91,751	30,68,84,336
TOTAL			356,61,20,003	128,54,77,690

SCHEDULE : 03 SECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Loans from Rural Electrification Corporation Limited, New Delhi.	53.30+ 53.312	82,76,90,563	204,25,89,866
2	Loans from Rural Electrification Corporation Limited, New Delhi. -APDRP Counter part funding (Secured by Hypothecation of all existing unencumbered moveable properties including machinery, equipments, machinery spares, tools, implements, and accessories installed / created / erected and all future moveable including machinery, equipments, machinery spares, tools, implements, and accessories installed / created / erected in future and its stock of materials equipments bought or to be bought out of the loan amount)		89,01,57,861	
3	Term Loans from Commercial Banks			
a)	UCO Bank (Exclusive first Charge by way of hypothecation of plant, equipments & Machinery. The terms of repayment are 10 half yearly instalments with two years moratorium and repayable over 7 years from the date of first disbursal of the loan availment. Interest servicing is to be carried out on monthly basis)	53.303	26,81,95,908	26,81,00,000
b)	State Bank of India Secured by way of hypothecation of all existing & unencumbered present & future goods , book debts and all other movable assets of the Borrower including documents of the title to the goods, outstanding moneys , receivables including receivables by way of cash assistance and / or cash incentive under the Cash Incentive Scheme or any other Scheme claims including claims by way of refund of customs/excise duties under the duty drawback credit scheme or any other scheme, bills invoices, documents , contracts , insurance policies, guarantees , engagements , securities, investments and rights and the present machinery listed in the schedule hereunto and all future machinery belonging to or in the possession or under the control of the borrower wherever lying stored (including all such goods, other movable assets as may be in	53.500	141,65,93,733	100,00,00,000

SCHEDULE : 03 SECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
	<p>course of shipment transit or delivery) by way of first charge (subject , however to any charge in favour of any third party which may have been notified by the borrower & accepted by the Bank as having priority over its own charges as security.</p> <p>(The terms of Repayment are 24 Quarterly equal instalments with one year moratorium repayable over 7 years from the date of first drawal of the loan availment. Interest servicing is to be carried out on monthly basis)</p>			
c)	<p>Oriental Bank of Commerce:</p> <p>Secured by way of hypothecation of all existing & unencumbered present & future goods , book debts and all other movable assets of the Borrower including documents of the title to the goods, outstanding moneys , receivables including receivables by way of cash assistance and / or cash incentive under the Cash Incentive Scheme or any other Scheme claims including claims by way of refund of customs/excise duties under the duty drawback credit scheme or any other scheme, bills invoices, documents, contracts , insurance policies, guarantees, engagements , securities, investments and rights and the present machinery listed in the schedule hereunto and all future machinery belonging to or in the possession or under the control of the borrower wherever lying stored (including all such goods, other movable assets as may be in course of shipment transit or delivery) by way of first charge (subject , however to any charge in favour of any third party which may have been notified by the borrower & accepted by the Bank as having priority over its own charge) as security.</p> <p>(The terms of Repayment are 24 Quarterly equal instalments with one year moratorium repayable over 7 years from the date of first drawal of the loan availment. Interest servicing is to be carried out on monthly basis)</p>		49,99,99,375	
	TOTAL		390,26,37,440	331,06,89,866

SCHEDULE : 04 UNSECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Loans from Government - PMGY (The repayments to be made in 20 annual equal instalments together with interest at the rate 12% on the outstanding balance commencing from 2002-2003 pertaining to Rs.45,33,130 and commencing from 2005-06 pertaining to Rs.87,50,000. However, 50% of loans will enjoy 5 year initial grace period after which repayment of these loans will be effected in 15 annual equal instalments.)	54.2	1,30,78,131	2,94,00,000
2	Loans from Government - APDRP (The repayments to be made in 20 annual equal instalments together with interest at the rate 12% on the outstanding balance commencing from 2003-2004. However, 50% of loans will enjoy 5 year initial grace period after which repayment of these loans will be effected in 15 annual equal instalments.)		68,16,46,530	
	Term Loan from PFC (The loan amount is accounted as per the advise of KPTCL and it comprising of various loans with varied terms and conditions)	53.316	7,84,16,506	7,53,59,535
	TOTAL		77,31,41,167	10,47,59,535

Note : The above loan accounts are as per confirmation received from KPTCL.

SCHEDULE : 05 SERVICE LINE AND SECURITY DEPOSITS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	i) Deposit Contribution Work	47.301 to 47.303, 47.305, 47.307 to 47.317	54,67,59,631	30,10,22,734
	ii) Deposit Works	47.306	1,25,18,977	1,09,90,231
2	Other Deposits from Consumers	47.6	42,61,62,985	38,48,84,140
3	Security Deposit from consumers:	48.1+48.2+48.3	901,94,25,895	792,39,35,715
	TOTAL		1000,48,67,488	862,08,32,820

SCHEDULE : 06 FIXED ASSETS

Amount in Rupees

Asset Group	Gross Block					Depreciation				Net Block	
	As at 1-4-2004	Additions/ Adjustment	Deduction/ Adjustment	As at 31-3-2005	As at 1-4-2004	Additions/ Adjustment	Deductions Adjustments	As at 31-3-2005	As at 31-3-2004	As at 31-3-2005	
Land & Rights	9,12,02,092	37,36,858	24,20,000	9,25,18,950	-	-	-	-	9,12,02,092	9,25,18,950	
Buildings	21,20,03,954	196,18,133	45,85,752	22,70,36,335	5,68,24,871	1,02,27,964	19,12,532	6,51,40,303	15,51,79,083	16,18,96,032	
Civil Works (Pipeline, Sewage, Drainage & Water supply)	1,67,33,133	26,03,737	-	1,93,36,870	26,16,623	4,61,597	25,586	30,52,634	1,41,16,510	1,62,84,236	
Other Civil Works	42,76,181	87,46,524	-	1,30,22,705	6,13,952	1,33,768	4	7,47,716	36,62,229	1,22,74,989	
Plant & Machinery	312,60,28,490	79,73,76,781	41,81,25,612	350,52,79,659	107,45,07,443	32,46,13,872	14,21,37,707	125,69,83,608	205,15,21,047	224,82,96,051	
Lines Cable Networks	1002,01,06,006	194,40,29,101	12,16,34,550	1184,25,00,557	478,98,65,868	90,26,23,138	23,55,94,497	545,68,94,509	523,02,40,138	638,56,06,048	
Vehicles	8,53,31,419	34,10,933	32,29,160	8,55,13,192	7,61,57,433	36,86,749	33,42,483	7,65,01,699	91,73,986	90,11,493	
Furniture & Fixtures	424,62,851	67,00,099	2,20,449	4,89,42,501	1,81,78,324	41,64,440	2,33,799	2,21,08,965	242,84,527	2,68,33,536	
Office Equipments	189,79,526	49,10,526	2,39,311	2,36,50,741	1,25,44,802	13,94,933	7,00,446	1,32,39,289	64,34,724	1,04,11,451	
Current Year Total	1361,71,23,652	279,11,32,692	55,04,54,834	1585,78,01,510	603,13,09,316	124,73,06,461	38,39,47,054	689,46,68,724	758,58,14,336	896,31,32,786	
Previous Year Total	1278,97,41,724	140,50,22,163	57,76,40,233	1361,71,23,654	527,68,77,742	94,86,69,654	19,42,38,080	603,13,09,316	751,28,63,982	758,58,14,338	

NOTE:

- Buildings includes shared assets as per KPTCL's intimation.
- Addition to gross block includes capitalisation of released assets after reconditioning.
- Deduction to gross block includes transfer of assets for reconditioning and Shared assets to KPTCL.
- Addition & Deductions to the depreciation includes the depreciation adjustments on account of released assets and capitalisation of reconditioned assets and other adjustments.

SCHEDULE : 07 CAPITAL WORKS IN PROGRESS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Capital Work in Progress	14	73,35,25,166	41,97,52,769
	Interest during Implementation period.		10,48,64,661	1,33,67,832
2	Contracts in Progress	15.12	48,53,610	38,47,411
3	Provision for works	15.500	73,77,86,096	1,40,78,993
	TOTAL		158,10,29,533	45,10,47,005

SCHEDULE : 8 INVENTORIES, STORES AND SPARES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Assets not in use (valued at WDV)			
	a) Value of scraped assets		3,94,09,652	3,71,24,159
	Less Provision estimated/ considered as not realisable	16.1	78,81,931	1,35,38,169
			3,15,27,721	2,35,85,990
	b) Value of Faulty and Dismantled assets for reuse		17,71,02,913	16,60,44,255
	Less Provision estimated/ considered as not realisable	16.2	3,54,20,583	6,94,39,287
			14,16,82,330	9,66,04,968
	Total-1		17,32,10,051	12,01,90,958
2	Materials Stock (Stocks are valued as per the Accounting Policy followed by the company and certified by the Management)			
	a) Material Stock Account	31,22,610,22,450 22,810,22,820	29,84,30,622	24,99,57,702
	b) Mateterial imprest Account	22.641	92,86,316	3,75,52,177
	c) Material pending inspection	22.660	1,39,49,554	1,13,07,562
	d) Other Material Account	22.700	2,84,28,867	1,57,17,584
	Total-2		35,00,95,359	31,45,35,025
	TOTAL 1 + 2		52,33,05,410	43,47,25,983

SCHEDULE : 9 SUNDRY DEBTORS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	a) Sundry Debtors-Supply of Power			
	1. Sundry Debtors for sale of Power-LT	23.1	941,13,95,496	685,20,65,644
	2. Unbilled Revenue - LT	23.4	80,33,56,034	77,98,60,516
	3. Sundry Debtors for sale of Power-HT	23.2	45,25,42,544	26,13,78,139
	4. Unbilled Revenue - HT	23.4	152,31,06,125	121,95,44,733
	TOTAL (a)		1219,04,00,199	911,28,49,032
	b) Sundry Debtors - miscellaneous receipts from consumers	23.7	34,45,55,241	39,65,79,246
	Sub total - (1)		1253,49,55,440	950,94,28,278
2	Less :			
	a) Revenue Suspense Account	47.6	8,18,46,310	10,35,66,378
	b) Provision for withdrawal of Revenue demand	23.8	60,14,99,980	14,41,23,054
	c) Provision for Doubtful Dues from consumers	23.9	317,97,59,147	187,43,33,524
	Sub total - (2)		386,31,05,437	212,20,22,956
3	Net Receivables against Supply of Power		867,18,50,003	738,74,05,322
4	Sundry Receivables from			
	KPTCL	28.826,831		
		836,841	186,16,78,537	336,42,55,840
	MESCOM	28.828,833,		
		838	7,25,29,140	7,24,65,574
	GESCOM	28.830,835,		
		840	2,99,24,621	2,99,73,565
	HESCOM	28.829,834,		
		839	4,81,04,616	4,84,54,761
	Others	28.1	6,54,24,203	4,28,66,474
	Sub total - (4)		207,76,61,117	355,80,16,214
5	a) Receivable from GoK towards IP set dues waived off	28.1	423,84,87,196	423,84,87,196
	b) Less Provision for receivable towards IP set dues	28.1		96,70,00,000
	c) Total (a - b)		423,84,87,196	327,14,87,196
6	Receivable from GoK towards BJ dues waived off		53,71,75,896	
7	Sundry Debtors for Electricity Tax	23.3	3,21,79,696	3,64,06,378
	TOTAL 3+4+5+6		1555,73,53,907	1425,33,15,110

Note : A) Secured - Nil -

B) Un Secured :

Receivables on sale of power are unsecured but considered good except to an extent of provision for bad debts of Rs.317,97,59,147/- Rs.559,10,39,317/- is less than 6 months old out of the total receivables.

SCHEDULE 10 : CASH AND BANK BALANCES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05		Previous Year 2003-04
1	Cash on Hand	24.110 +24.210		7,90,47,573	9,18,79,774
2	Cash at Bank - Operative Accounts with scheduled banks	24.400	19,18,62,939		99,50,708
3	Cash at Bank - Non-Operative Accounts with scheduled banks	24.300	16,39,01,230		21,21,97,683
				35,57,64,169	22,21,48,391
4	Deposits with State Bank of Mysore.	20.2	5,21,396		5,21,396
5	Margin money deposit under Bank Guarantee with BoB	28.935	68,17,000		-
6	Interest Accrued but not due on deposits	28.2	4,24,982		39,422
				77,63,378	5,60,818
7	Stamps on Hand	24.120 24.130 24.140		1,62,252	11,53,469
8	Remittance to Head Office -Transit Account	24.5	14,47,98,754		11,320
9	Transfers from Head Office In Transit Account	24.6	(39,486,671)		1,67,82,890
				10,53,12,083	1,67,94,210
	TOTAL			54,80,49,455	33,25,36,662

SCHEDULE 11 : LOANS, ADVANCES AND DEPOSITS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05		Previous Year 2003-04
1	LOANS AND ADVANCES (Unsecured, considered good recoverable in cash or in kind for the value to be received)				
	a) Advances to Suppliers	25.1 to 25.5	40,04,88,828		3,52,64,572
	b) Advances to Contractors	26.6	69,65,71,813		33,95,623
	c) Loans and Advances to Staff - Interest free	27.2	2,89,74,695	112,60,35,336	3,73,36,057
	Sub total (a+b+c)			112,60,35,336	7,59,96,252
2	DEPOSITS				
	a) Security Deposits received in Cash from contractors.	28.9		2,52,07,565	3,79,74,082
	b) Guarantees received from contractors	28.93		100,27,84,551	3,32,70,634
	Total			215,40,27,452	14,72,40,968

SCHEDULE 12 : OTHER CURRENT ASSETS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05		Previous Year 2003-04
A.	Other Current Assets :				
1	Amounts Recoverable from Employees	28.4+36	2,74,57,263		4,80,02,816
2	R.E Subsidy receivable from GoK	28.6	46,95,25,276		233,40,51,691
3	Other Receivables	28.8	57,57,252		32,16,500
4	Income Tax including Advance Tax	28.821	1,97,57,678		-
5	Loan amount receivable from KPTCL	28.842	26,23,97,806		160,85,80,882
6	Other Claims	28.74	67,50,244		36,18,573
7	Pension/gratuity-P&G Trust	28.846	8,19,33,687		32,49,40,010
8	Cash Receivables from KPTCL/ESCOMS	28.9	3,01,91,359		2,51,77,480
9	Receivable from GoK refund of meterequipment security deposit		2,17,821		-
	Sub-total A			90,39,88,386	434,75,87,952
B.	Inter Unit Accounts :				
1	IUA - CWIP, Fixed Assets, depreciation provision / obsolete and released assets	32	11,58,51,950		16,51,54,635
2	IUA - Other transactions / adjustments				-
3	IUA-Remittances to HO	33			10,71,51,367
	Sub-total B			11,58,51,950	27,23,06,002
C.	Total (A + B)			101,98,40,336	461,98,93,954

SCHEDULE 13 : CURRENT LIABILITIES & PROVISIONS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05		Previous Year 2003-04	
1	Power Purchase Liability					
	Sundry Creditors for purchase of power from KPTCL	41.161	118,79,25,468		501,61,51,025	
	Provision for liability for increase in power purchase (share of KPTCL's Revenue Gap 2002-03)	41.200		118,79,25,468	89,40,00,000	591,01,51,025
2	Liabilities for supplies / works	42.1to42.5	158,67,33,630	158,67,33,630	76,61,51,504	76,61,51,504
3	Staff Related Liabilities					
	Unpaid Salaries	44.210	29,61,714		26,70,563	
	Unpaid Bonus	44.220	45,211		3,54,585	
	Salary payable	44.310	1,51,33,192		1,93,66,543	
	Bonus payable	44.320	18,238		1,25,375	
	Ex-gratia payable	44.330	2,68,77,528		2,76,01,618	
				4,50,35,883		5,01,18,684
4	Payables to KPTCL					
	On accounts of funds received	46.106	13,16,86,313		182,83,01,701	
	On accounts of funds received and adjusted to receivable from KPTCL	28.881	260,80,43,661			
	On account of Materials, Released Assets, Personnel and others	42.200	211,80,38,330		230,82,89,177	
				485,77,68,304		413,65,90,878
5	Payable to other ESCOMs	42.200	2,72,89,125	2,72,89,125		2,72,35,281
6	Other Liabilities					
	Security Deposits in cash from Suppliers / Contractors	46.101	19,42,99,481		6,72,17,374	
	Security deposit other than in cash from suppliers / contractors	46.102	100,27,84,551		3,32,70,634	
	Power loom subsidy pending allocation to consumers	28.122	7,41,06,188			
	Stale Cheques	46.910	42,24,616		23,66,962	
	Miscellaneous Deposits	46.966	60,08,079		23,79,721	
	Excess credit under reconciliation	46.971to78	8,87,514		1,42,78,730	
	Levies / fees payable to GoK	46.300+310+104	93,91,711		2,29,66,361	
	Inter Unit Accounts - Other transactions / adjustments	37	60,01,31,392		81,25,99,274	
	IUA -Funds Transfer	34	0	189,18,33,532	4,34,16,742	99,84,95,798
7	Outstanding Liability					
	- for Expenses	46.103,410				
		470,46.9	20,86,71,918		38,87,35,174	
	- interest accrued but not due	46.71	86,60,397	21,73,32,315	96,47,288	39,83,82,462
8	Provisions for other liabilities					
	Provision for Gratuity,Pension, Leave encashment PF & Family Benefit Fund	44.122, 130				
		44.140to142	12,35,16,589		9,85,41,258	
	Provision for Income-Tax	46.800	7,59,10,000		10,31,14,937	
	Miscellaneous Provisions	46.104	35,00,141		36,62,881	
				20,29,26,730		20,53,19,076
	TOTAL			1001,68,44,987		1249,24,44,709

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDING 31ST MARCH 2005**

SCHEDULE : 14 REVENUE FROM SALE OF POWER

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Revenue from Sale of Power-LT			
	Bhagya jyothi Scheme.	61.101	22,43,62,395	22,96,02,367
	Non-Commercial Lights and Fans Non-Domestic and Non-coml. lighting installations.			-
	Domestic combined lighting, heating and motive power Private, Professional and unaided institutions	61.110+ 61.111	818,60,46,435	762,51,08,329
	Commercial and Non-Industrial Lights and Fans.	61.115	366,72,24,159	291,94,73,980
	Irrigation Pump Sets (10 HP & below)/ Water Lifting.	61.119+ 61.120	189,92,67,563	238,01,85,030
	Irrigation Pump sets (above 10 HP) /Water Lifting.	61.121	54,09,231	56,61,608
	Water supply-Village Panchayats and Town Panchayats.	61.125	71,87,85,589	63,11,41,070
	Water supply - Others.	61.126	39,33,37,231	27,92,49,448
	Private Horticultural Nurseries, Coffee, Tea, Coconut and Areca nut Plantations.	61.128	30,92,863	31,64,334
	Industrial, Non-Industrial, Heating and Motive Power including Lighting	61.129to 61.133	396,98,81,644	398,30,95,910
	Public Lighting/ Village and Town Panchayats.	61.140	57,64,36,674	56,54,52,653
	Public Lighting - Others.	61.141 61.143	59,56,59,106	54,67,14,417
	Temporary Power Supply - Non -commercial lights and fans and other small appliances	61.145	45,16,17,155	34,40,40,544
			2069,11,20,045	1951,28,89,690

SCHEDULE : 14 REVENUE FROM SALE OF POWER

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
2	Revenue from Sale of Power-HT			
	Public Water Supply & Sewerage Pumping	61.250	154,32,84,555	147,62,79,739
	Industrial, Non-industrial and Commercial purposes & Railway Traction	61.255	872,12,54,731	739,68,45,514
	Commercial.	61.256	467,23,90,498	324,94,22,372
	Irrigation and Agricultural Farms. Lift Irrigation Societies, Lift Irrigation Schemes and Govt., Horticultural Farms	61.260	74,38,905	65,62,387
	Residential apartments and colonies availing power supply independently.	61.265	25,93,16,777	23,70,30,799
			1520,36,85,467	1236,61,40,811
3	Miscellaneous recoveries from Consumers			
	Fuse charges	61.901	14,29,967	13,44,223
	Reconnection Fee (D & R)	61.902	68,45,208	44,50,402
	Public Lighting Maintenance Charges	61.903	2,86,73,065	83,55,912
	Service Connection (Supervision charges)	61.904	11,30,28,482	12,07,33,303
	Delayed payment charges from consumers.	61.905	22,39,16,150	37,50,69,291
	Other Receipts from consumers	61.906	16,86,61,398	18,51,77,444
	Misc Charges from Consumers		54,25,54,269	69,51,30,575
	Gross Revenue from Sale of Power		3643,73,59,781	3257,41,61,076
	Less:Withdrawal of Revenue Demand	83.8	-	14,94,90,727
	TOTAL		3643,73,59,781	3242,46,70,349

SCHEDULE : 15 OTHER INCOME

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Income from Investments			
	Interest on Bank Fixed Deposits	62.270	3,85,560	35,019
	Sub total - 1		3,85,560	35,019
2	Other Income			
	Profit on sale of stores	62.330	80,08,752	1,63,680
	Sale of scrap	62.340	61,85,390	33,30,285
	Other Miscellaneous receipts	62.360	13,65,754	22,91,583
	Material Cost Variance	62.630	-	2,57,29,065
	Rental from Staff Quarters	62.901	74,64,040	1,18,08,042
	Rental from others	62.902	1,85,960	80,229
	Value of materials and fixed assets found excess during physical verification	62.905	51,54,053	82,31,865
	Commission at 1.5% for collection of Electricity Duty.	62.916	2,47,32,708	2,00,52,268
	Miscellaneous Recoveries.	62.917+ 62.907+ 62.325	6,63,18,279	15,69,11,957
	Sub Total - 3		11,94,14,936	22,85,98,974
	Total		11,98,00,496	22,86,33,993

SCHEDULE : 16 PURCHASE OF POWER

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
A	Transmission & bulk power supply charges			
	1. Transmission charges	70.161	273,69,81,081	254,87,18,937
	2. Bulk Power supply charges	70.171	2767,67,90,388	2725,77,04,805
	3. Total (1 + 2)		3041,37,71,469	2980,64,23,742

SCHEDULE : 17 REPAIRS AND MAINTENANCE

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Plant and Machinery	74.1	14,62,32,164	18,78,53,186
2	Buildings	74.2	77,14,880	64,40,662
3	Civil works (Pipeline, Seweage, drainage and water supply)	74.3	28,88,823	35,03,330
4	Lines, Cable Net Work Etc.	74.5	15,43,56,951	10,74,57,076
5	Vehicles	74.6	63,94,745	62,94,548
6	Furniture and Fixtures	74.7	32,140	61,325
7	Office Equipments.	74.8	39,34,812	11,24,861
TOTAL			32,15,54,515	31,27,34,988

SCHEDULE : 18 EMPLOYEE COSTS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Salaries and allowances			
	Salaries	75.1	103,57,74,143	106,82,46,921
	Over Time	75.2	4,97,97,060	4,11,61,415
	Dearness Allowance	75.3	63,05,54,574	61,16,24,690
	Other Allowances	75.4	15,20,31,416	16,39,10,087
	Bonus	75.5	2,84,42,643	3,15,56,737
	Sub total - 1		189,65,99,836	191,64,99,850
2	Other Benefits			
	Medical Expenses reimbursement	75.611	2,78,96,316	2,47,41,155
	Leave travel assistance	75.612	1,89,832	7,89,598
	Earned leave encashment	75.617	7,52,56,190	15,32,87,805
	E.L.Encashment - Retirement / Deceased Employees	75.618	3,62,76,480	3,00,93,198
	Staff Welfare expenses	75.7	6,52,27,405	6,00,74,980
	Payment towards provident funds	75.7	34,80,31,046	27,31,04,659
	Terminal Benefits	75.8	87,77,088	-
	Sub total - 2		56,16,54,357	54,20,91,395
3	Others			
	Payment under workmens compensation Act	75.629	18,93,492	11,51,930
	Payment to helpers/employees of Monsoon gang	75.630	3,38,78,134	2,77,57,149
	Sub total - 3		3,57,71,626	2,89,09,079
TOTAL			249,40,25,819	248,75,00,324

SCHEDULE : 19 ADMINISTRATIVE AND OTHER EXPENSES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Rent	76.101	3,89,33,440	1,64,14,724
2	Rates & Taxes	76.102	4,63,387	13,16,357
3	Insurance/fee	76.104, 105, 106	56,02,609	32,065
4	Security Charges	76.103	46,24,582	37,30,852
5	Postage & Telephone charges	76.111, 112, 113	3,11,90,000	2,52,08,072
6	Revenue Receipts Stamps	76,115	14,262	26,536
7	Remuneration to contract agencies	76.121,122 123,124,125	16,61,13,264	5,10,81,139
8	Legal, professional and consultancy charges	76.130	2,08,05,676	2,95,18,387
9	Conveyance & Travel expenses	76.131,135 137 to 139	7,58,44,262	6,52,28,002
10	Vehicle running expenses	76.136	2,22,00,947	1,91,81,953
	Statutory Auditors' Remuneration			
	- as Statutory Audit fee		2,25,000	2,20,500
	- as Tax Audit fee		50,000	38,587
	- as Expenses		20,000	20,000
	- as Service Tax		27,638	
12	Printing & Stationery	76.153	3,69,27,241	2,45,04,335
13	Advertisement Expenses	76.155	58,74,605	49,62,257
14	Electricity Charges	76.158	1,41,63,841	1,19,82,587
15	Water Charges	76.160	10,39,417	11,75,917
16	Miscellaneous expenses	76.151,152 154,156,162 164,190,191 192	1,65,21,761	80,45,572
17	Freight & other material related expenses	76.201 to 76.282	2,26,37,147	68,90,340
TOTAL			46,32,79,079	26,95,78,182

SCHEDULE : 20 OTHER CHARGES (DEBITS)

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Preliminary expenses written off		1,37,13,675	-
2	Other Expenses			
	Small & Low value items Written off	77.600	56,134	1,46,044
	Computer Rentals/maintenance charges	77.611	67,38,597	35,02,181
	Losses/gain relating to Fixed Assets	77.7 / 62.4	1,45,09,205	1,52,78,307
	Asset decommissioning cost	77.5	12,62,551	6,30,197
	Bad Debts written off	79.4	-	43,74,630
	Provision for Bad & doubtful debts	79.4	33,84,25,623	11,18,80,459
	Miscellaneous losses and Write offs	79.5	3,69,04,082	1,84,94,547
	Material cost variance	79.110	9,22,58,422	-
TOTAL			50,38,68,290	15,43,06,365

SCHEDULE : 21 DEPRECIATION

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Amortisation of Lease Hold Assets			
2	Depreciation on Buildings	77.120	83,82,691	86,32,694
3	Depreciation on Civil works (pipeline, sewage, drainage, water supply etc.,)	77.130	4,57,615	4,26,291
4	Depreciation on other Civil Works	77.140	1,34,116	1,29,807
5	Depreciation on Plant and Machinery	77.150+151	26,60,31,589	24,63,64,293
6	Depreciation on lines, cable, network etc.,	77.160+161	70,93,53,901	67,65,92,572
7	Depreciation on Vehicles	77.170+171	10,74,476	75,38,552
8	Depreciation on furniture, fixtures	77.180	38,54,804	29,57,407
9	Depreciation on Office equipments	77.190+191	11,29,129	8,91,800
TOTAL			99,04,18,320	94,35,33,416

SCHEDULE : 22 INTEREST AND OTHER CHARGES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
1	Interest on Loans	78.1+ 78.540	23,79,07,790	30,73,10,609
2	Guarantee Commission to GoK	78.868	1,03,47,443	66,68,268
3	Lease Rentals	78.810- 78.815	0	2,32,14,579
4	Other Interest and Finance Charges	78.820- 78.890	6,44,689	37,67,607
TOTAL			24,88,99,922	34,09,61,063

SCHEDULE : 23 PRIOR PERIOD CREDITS / CHARGES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2004-05	Previous Year 2003-04
A.	Income relating to previous years :			
1.	Excess provision for Depreciation in prior period	65.600	3,16,76,683	1,08,50,124
2.	Excess provision for Interest & Finance charges	65.700	8,93,57,095	-
2.	Other excess provision in prior period	65.800	83,04,18,914	42,10,998
3.	Other income relating to prior period	65.900	1,65,12,354	35,22,061
			96,79,65,046	1,85,83,183
B.	Period period expenses / losses :			
1.	Operating expenses of previous year	83.300	45,50,619	2,50,965
2.	Employee costs relating to previous year	83.500	2,87,66,247	1,06,01,450
3.	Depreciation under provided in previous period	83.600	7,91,67,556	1,20,97,827
4.	Administrative expenses of previous period	83.820	4,90,99,193	29,21,788
5.	Lease Rentals Prior Period		-	5,39,846
6.	Other expenses relating to prior periods	83.850	1,44,57,393	-
7.	Material related expenses of previous period		19,72,143	8,02,965
8.	Rural Electrification subsidy withdrawn	83.850	89,40,00,000	-
9.	Withdrawal of Revenue Demand	83.800	13,26,77,345	
			120,46,90,496	2,72,14,841
C.	Net prior period charges/(credits) (B-A)		(23,67,25,450)	(86,31,658)

SCHEDULE NO: 24

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING
PART OF THE ANNUAL ACCOUNTS As at 31st MARCH 2005**

PART-A : SIGNIFICANT ACCOUNTING POLICIES

1. METHOD OF ACCOUNTING

- 1.1. The Financial statements are prepared under Historical Cost convention, in accordance with the provisions of the Companies Act, 1956 as adopted by the Company and also as per the provisions of Electricity (Supply) Act, 1948/Electricity Act, 2003 in cases of inconsistency with the Companies Act 1956.
- 1.2. a) All Income and Expenditure having a material bearing on the Financial Statements are recognized on accrual basis except the following, which are accounted on cash basis:
 - i. Grants and subsidies from Government in respect of capital assets.
 - ii. Interest on House building advance, House purchase advance, Vehicle advance and Computer advance to employees.
- b) Revenue Recognition
 - i. Revenue from sale of energy is accounted on accrual basis.
 - ii. Revenue dues from consumers whose ledger accounts are yet to be opened is estimated and accounted.
 - iii. The sale of energy is as per the tariff fixed by Karnataka Electricity Regulatory Commission (KERC).
 - iv. Revenue for the year is also adjusted by estimating un-billed revenue of previous year and current year.

2. FIXED ASSETS

- 2.1. Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. Costs relating to the acquisition and installation of fixed assets are capitalized and include interest and finance charges payable on loans obtained for construction.
- 2.2. Released assets are accounted on Withdrawal / Capitalization at Written Down Value (WDV).

3. DEPRECIATION

- 3.1. Depreciation on all assets (except computers and lease hold land) is provided on straight-line method as per Electricity (Supply) Act, 1948/Electricity Act, 2003 on the basis of Central Government Notification No: S.O. 265 E dated 27-03-1994.
- 3.2. Depreciation on released assets reissued to works and categorized as assets, is charged at rates prescribed vide GoI Notification dated 27-03-1994, considering the WDV as base value.
- 3.3. Depreciation on computers is provided at the rate of 12.77% on straight-line method as per Circular No.cys-43. dt. 6-11-2002 issued by KPTCL to all ESCOMs.
- 3.4. Depreciation on leasehold land is provided at the years' amortization rate arrived at on the basis of lease period.
- 3.5. Depreciation on all assets is provided up to 90% of the original cost.

- 3.6. Plant & Machinery costing Rs. 500/- or less individually are written off at 100% in the year in which they are installed and put to use.
- 3.7. Depreciation is not provided in the year in which the assets are commissioned or added. Depreciation is provided for the entire year in the year in which assets are decommissioned / scrapped / released irrespective of the date of the event.

4. CAPITAL WORK IN PROGRESS

- 4.1. Materials issued to Capital Works in progress are valued at the cost of purchase or at scheduled standard rates (Standard rate is determined on the basis of previous purchases and prevailing market rates).
- 4.2. Common expenditure incurred by divisions / circles / zones and administrative offices are not apportioned and debited to capital expenditure as the costing methods and procedures are not fully evolved yet.

5. INVENTORY

- 5.1. Inventories, stores and spares are valued at the cost of purchase or at scheduled standard rates (the standard rates are determined on the basis of previous purchase rates and prevailing market rates).
- 5.2. Scrapped and released assets identified for disposal are valued at WDV.

6. RURAL ELECTRIFICATION SUBSIDY FROM GOVT. OF KARNATAKA

- 6.1 Rural Electrification subsidy has been considered on accrual basis as per Purchaser Provider Model guidelines issued by Govt of Karnataka. Further, Subsidy claims for the year under PPM guidelines are restricted to earn 3% RoR on accrual basis.

7. RETIREMENT BENEFITS

- 7.1. Pension & Gratuity are provided based on the rates prescribed by 'KPTCL & ESCOMs Pension & Gratuity Trusts'.
- 7.2. Leave encashment is provided based on the actual payment basis, payable as per company's rules.

8. PROVISION FOR BAD & DOUBTFUL DEBTS

- 8.1 The provision for bad & doubtful debts is maintained at 4% on the net balance of sundry debtors exclusive of Government and Local Bodies/Authorities for sale of power of LT and HT category outstanding as at the year-end and on specifically identified HT consumers on a case-to-case basis.

9. ACCOUNTING OF GRANTS

- 9.1 Grants received for capital expenditure are included in capital reserves and are neither diminished nor cost of assets have been reduced to the extent of grants.
- 9.2 Contributions received from customers for capital expenditure are included in capital reserves and are neither diminished as deferred income nor cost of assets has been reduced to the extent of contribution.
- 9.3 Other grants are credited to the Profit & Loss Account.

10. TAXES ON INCOME

- 10.1 Current tax is determined as the amount of tax payable in respect of taxable income for the year.
- 10.2 Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable

income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

11. POWER PURCHASE

11.1 The power purchase cost is recognized on the basis of readings at the Interface points between KPTCL and the company.

The company has recognized the following as interface points for measurement of power purchase:

1. For EHT consumers, consumption recorded at EHT consumer installations (66KV and above).
2. Readings recorded at 33 KV and 11 KV banks (interface points) existing in various sub-stations.

PART-B : NOTES ON ACCOUNTS

1.1 Financial statements are drawn for the year commencing from 01.04.2004 to 31.03.2005. (Previous year for the period commencing from 01.04.2003 to 31.03.2004)

1.2 The KERC has issued a regular distribution license and retail supply license for a period of five years vide order dated 28.01.2003. The company has a service area comprising of following districts:

Bangalore Urban, Bangalore Rural, Kolar, Tumkur, Chitradurga and Davanagere.

1.3 The Government of Karnataka published vide their order No. DE 14 PSR 2002 dated 31-05-2002, the 2nd Transfer Scheme called Karnataka Electricity Reform (transfer of undertakings of KPTCL and its personnel to Electricity distribution and retail supply companies Rules 2002) was published giving effect to the approval of distribution undertakings, assets and liabilities and provisional opening balance sheets of KPTCL and BESCOM based on the Annual Accounts of KPTCL as on 31-03-2001. As per the provisions of 2nd Transfer Scheme, after the stipulated period of one year i.e., by 31-05-2003, the same became final. Opening balance sheets earlier approved and published vide G.O. and Government notification dated 31-05-2002 read above were provisional and thereafter Government had approved and issued final opening balance sheets of BESCOM as at 1-06-2002 vide their order No. DE 48 PSR 2003 dated 31-05-2003/No.DE 48 PSR 2003, dated 7-10-2004, which is subject to audit/capital structure correction adjustments' approval of the Government.

2. SHARE CAPITAL :

Amendment to Article 4 of Articles of Association was made in the 2nd Annual General Body Meeting of BESCOM held on Tuesday the 28th December 2004. As per amendment the share capital of BESCOM was enhanced from Rs. 1.00 crore to Rs.250 crores comprising of 25 crores equity shares of Rs.10 each.

3. Share Deposit :

3.1 By virtue of transfer scheme of transfer of assets and liabilities as on 31-05 2002 between KPTCL and the company, the net difference of assets and liabilities is arrived as the opening balance of share deposit account as on 01-06-2002.

Out of the same during the year the company has issued 20,59,50,000 equity shares of Rs.10/- each and the same has been totally subscribed and are fully paid up.

3.2 The share deposit account has been increased by Rs.2,63,69,859.00 during the year based on certain adjustments intimated by KPTCL.

4. Share Deposit adjustment account:

The Government Order bearing No. DE 48 PSR 2003 dt 31-05-2003 has provided for arriving final opening balances after due verification of audit and after exhausting all possibilities. During FY 2002-03, the company has identified certain assets and liabilities, which are long outstanding and not recoverable and the same were grouped into the 'share deposit adjustment account'. Approval from Government of Karnataka is awaited.

5. Loans :

- 5.1 The Secured Loans and unsecured loans are determined subject to the receipt of consent based on the KPTCL's intimation to various lending institutions. The specific details of the loan, scheme wise and the terms and conditions of such loans are yet to be received from KPTCL except the loans directly borrowed by the company.
- 5.2 The repayments towards principal and interest are being routed through KPTCL. The interests on such loans are also accounted based on intimation by KPTCL except the loans directly borrowed by the company.

6. Fixed Assets :

- 6.1 The fixed assets are accounted vide Government of Karnataka notification mentioned above as cost of assets in gross block and accumulated depreciation on such assets till the date of transfer and the depreciation has been provided accordingly.
- 6.2 The company is in the process of obtaining details of the identification, location, situation, description and the extent of transfer of titles in its favour in respect of movable and immovable assets.
- 6.3 The assets have been recorded as assigned specifically by KPTCL. In case of buildings without transfer of land, the same is assumed to be taken on lease from the KPTCL at nominal value.
- 6.4 As per arms length agreement between KPTCL and the company, certain facilities owned either by KPTCL or by the company are being utilized by both of them. The income and expenditure has not been recognized and provided for in respect of such shared assets.
- 6.5 The Company accounts
 - a) The released assets at written down value and such assets when issued for Capital works are categorized on completion of such works and in usable condition at written down value and
 - b) The released assets that are not in usable condition as obsolete assets at written down and included in inventories.
- 6.6 During the current year, the company has borrowed funds from State Bank of India and Oriental Bank of Commerce for carrying out common capital works and from Rural Electrification Corporation Ltd., (REC) and Government of Karnataka for carrying out Accelerated Power Development Reforms Project (APDRP) capital works. The interest portion on the same is capitalised and added to Capital Work In Progress (CWIP) pending identification of each asset. The interest portion attributable to each O&M division is proposed to be communicated for accounting at divisional level.

7 Sundry Debtors

- 7.1 Sundry debtors include Rs.254.21 crores as provision for Doubtful Debts identified and transferred as opening balance under the Transfers Scheme. The company has to receive from GOK Rs.423.85 crores towards I.P.set dues waiver and when the amount is received, the respective provision for bad doubtful debts of Rs.96.70 crores carried in the opening balance would be transferred to capital Reserve Account.

- 7.2 As per Government of Karnataka Order bearing No. EN 145 PSR 2004, Bangalore dt. 15-03-2005, the BJ/KJ dues as on 31-12-2004 has been waived off by Government of Karnataka. An amount of Rs. 53.72 crores has accordingly been reduced from the BJ/KJ consumers and the same has been identified as receivable from Government of Karnataka
- 7.3 An annual provision for doubtful debts at the rate of 4% is being maintained on the entire receivables including miscellaneous receivables except dues in respect of Government installations/Urban Local Bodies/Rural Local Bodies.
- 7.4 The company has identified arrears in respect of long permanently disconnected installations amounting to Rs.34.30 Crores and the same has been held under the provision for bad and doubtful debts account as at 31-3-2005.
- 7.5 The company is in the process of identifying the erroneous demands made on account of institution of computerized billing system and as up to 31.03.2005, an approximate amount excess demand of Rs.49.12 Crores (net) has been arrived at. The factors and circumstances leading to such erroneous demand have been taken up for a detailed scrutiny at sub division level. However a provision for the same is made to the extent in the accounts.
- 7.6 The balances with KPTCL and other Escoms (Gescom, Hescom, Mescom) and dues from contractors, sundry creditors, and advances to suppliers and fabricators holding materials, deposits with various parties are subject to confirmation/reconciliation. The process of reconciliation of receivables is under progress.

8. Inventories Stores and Spares

- 8.1 Inventories, stores and spares are valued at the cost of purchase or at scheduled standard rates. In case of purchase of inventories, if standard rates are attributed, the difference between the purchase rate and standard rate of materials is debited or credited to material cost variance account, which is charged / credited to Revenue Account at the end of the year.
- 8.2 A provision at the rate of 20% on the value of scrapped and dismantled assets is maintained and is charged to Profit and Loss Account.

9. Pension, Gratuity and Leave Encashment

- 9.1 All the employees of the company are on deputation from KPTCL.
- 9.2 The actuarial valuation for the year 2004-05 is not carried out as reported by 'KPTCL and ESCOM's Pension & Gratuity Trusts'. Hence, provision for pension and gratuity is made on the basis of rates determined in the actuarial valuation report of 31-05-2002 and as per the Trust directives.
- 9.3 In case of leave encashment, the Company has estimated the earned leave encashment of eligible employees and the same is provided in the books of accounts.

10 Contingent Liability

- 10.1 Revision of pay scales
The employees of the Company are on deputation from KPTCL. Revision of Pay scales of employees both Officers/staff is due from 1-4-2003. Since settlement of revision of pay scales by KPTCL is not carried out in FY 2004-05, no provision is made in the Accounts.
- 10.2 Estimated amount of Contract remaining to be executed on Capital Account not provided, as information on the same is not available with the Company.

10.3 The details of Zone-wise appeal cases pending as at 31-3-2005 are as follows:

Sl.No.	Particulars	BMAZ	BRAZ	CZ	Total
1	No. of appeal cases pending as on 31-3-05	352	192	13	557
2	Amount involved (Rs. in Lakhs)	393.68	209.24	24.31	627.23

11 Free Lighting

Difference between power purchase cost and subsidized rate on free lighting provided to the employees of KPTCL including employees on deputation to BESCOM in the service area of the company is recognized as expenditure in the books of the company.

12 Electricity consumption of Company's offices

Electricity consumption in respect of Company's offices are accounted both as Revenue at retail tariff rates and the same is treated as expense.

13. Power Purchase

13.1 The supply of energy to the company includes EHT supply at more than 66 KV voltages at the interconnection points for transfer of power for billing by the company. The company does not recognize any transmission loss on EHT power in its books on purchase from KPTCL.

13.2 A system is put in place to measure the energy received by the company at interface points. The BST and Transmission charges are being levied by the KPTCL on the units made available at this point of supply i.e., interface point of supply.

14 **Rent** recovered from employees is accounted as income. Likewise the HRA paid to the employees is accounted as expenditure.

15 SUBSIDY

15.1 The sale of energy to IP sets is billed as per Tariff fixed by the KERC Order 2003 @ Rs.720.00 per HP/Annum/Installation. The quantum of subsidy available from Government of Karnataka on the IP set energy sale is not recognised in the books as orders on Tariff subsidy relating to IP set are awaited from Government of Karnataka.

15.2 Rural electrification subsidy is worked out as per Purchaser Provider Model (PPM) as per last year. The company has posted a net profit before tax of Rs.88,46,17,415 for the year 2004-05 which is more than the earning of 3% RoR as Rural Electrification subsidy from Government of Karnataka. Hence no claim is made on account of the same from Government of Karnataka for the year.

16 **The Inter Unit Accounts** on account of assets/liabilities/cwip and material transfer are subject to reconciliation, within the company's divisions / accounting units.

17 Electricity Tax

BESCOM has retained electricity tax of Rs. 164.88 Crores collected from consumers for the year 2004-05 and accounted / adjusted towards subsidy receivable from Government of Karnataka / KPTCL.

18 Rebate / Commission

Commission for having collected electricity tax from consumers amounting to Rs. 2.47 Crores at 1.5% on Rs. 164.88 crores accounted as miscellaneous revenue and is accounted as receivable from Government of Karnataka.

19 The company being a distribution licensee, the transactions pertaining to Meter Testing activity only to be accounted. Transactions pertaining to MT & RT (MRT division) for current year have been reflected in the books of company and no bifurcation between Meter Testing and Relay Testing division has been made.

20 Managerial Remuneration

Managerial remuneration is included in employee costs and administrative and other expenses and the details are as follows:

Expenses	Managing Director (Rs.)	Director (Technical) (Rs.)	Other Directors (Rs.)
Salaries and other allowances	4,30,154	4,66,478	-
Ex-gratia	2,500	2,500	-
Traveling expenses	2,21,413	1,37,310	-
Sitting fees	-	-	15,053

- 21 Foreign exchange earnings – Rs. Nil
Foreign exchange expenses – Rs. Nil

22 Additional Information

22.1 Quantitative details of power purchase, distribution loss and sales:

- A. Details of sale of energy and Distribution Loss for the year 2004-05 (April-2004 to March -2005) are as follows:

	Particulars	Energy in MUs	
		Current year	Previous year
1	Total energy purchased at interface point for sale including EHT	14653.65	13758.13
2	Total metered sales	7187.10	6312.80
3	Total un-metered sales	3857.53	3807.86*
4	Total Sales (2+3)	11044.63	10120.66
5	Distribution loss	3609.37	3637.47
6	Percentage of Distribution Loss	24.63%	26.44%

* Un-metered category of installations, Energy consumed has been assessed as follows:

- BJ / KJ installations: KERC has approved to assess the units consumed by BJ/KJ category of consumers at 18 units /month/ installation.
- IP sets consumption assessment is based on sample readings recorded at Distribution Transformer Centres taking secondary line loss at 10%.
- Street Lighting: The units consumed for this category of installation has been assessed on the basis of 12 hours/day Load factor i.e., for every KW-connected load, the consumption assessed from 6.00 P.M to 6.00 A.M (12 hours).

22.2 As the company deals with numerous items of stores and spares for maintenance and capital works, the quantitative details with respect to opening stock, purchases, consumption and closing stock are not disclosed.

23. Income Tax Provision

23.1 Current Tax

The company is eligible to have income tax benefit at 100% for the income derived from power distribution activities from the Assessment Year 2005-06 onwards under section 80(IA) of the Income tax Act. However, the company is liable to pay income tax under the provisions of Minimum Alternative Tax (MAT) of the Act and accordingly the provision for Income Tax has been made.

23.2 Deferred Tax

Due to the opening balances being provisional in nature, the computation of deferred tax resulting in either deferred tax asset or liability is not carried out. The amount of subsidy, which is a key factor in arriving the profit, is arrived based on prescribed model from Government of Karnataka. Further there is no certainty that sufficient future profits would be available to allow the utilization of deferred tax asset. Hence no deferred tax asset/liability has been recognized in the books.

24. As per the records available, there are no transactions between related parties as stipulated in Accounting Standard – 18 during the year.
25. Dues to Small Scale Industries (SSI) units are not ascertained due to lack of information about their identity.
26. Paise have been rounded off to the nearest rupee.
27. It is required to disclose segmental activities as per Accounting Standard - 17. Since the Company deals with only distribution of Electricity, the Accounts are finalized accordingly.
28. Preliminary expenses incurred during the year for the increase in Authorised Capital and the Stamp Duty for the issue of shares has been charged off fully during the year.
29. The Statutory Auditors remuneration : Considering the work involved for all the divisions of the company, a provision for Rs. 2,25,000/- plus service tax (previous year Rs.2,00,000.00 plus service tax) has been made in book of accounts and is subject to approval in Annual General Body Meeting.
30. Previous years figures have been grouped/regrouped wherever necessary.
31. The company, after the Statutory Auditors report dated 10-09-2005 has received intimation from KPTCL vide ltr. No. MD/FA/(A&R)/PS/366 dated: 24-09-2005 with regard to Power Purchase adjustment to the extent of Rs. 311.56 Crores as Reduction in Power Purchase cost for the year 2004-05 and the same is accounted in the books of accounts based on the observation made by Comptroller and Auditor General of India.
32. The Accounts approved by the Board on 09-09-2005 and reported by the Statutory Auditors were revised based on the observations made by the Comptroller and Auditor General of India U/S 619(4) of the Companies Act 1956. Accordingly, the revision has resulted in decrease of Rural Electrification subsidy from Rs. 157.44 crore to Rs.NIL and increased the net profit from Rs. 18.35 Crores to Rs.80.87 Crores.

Sd/-

(D. Babu Rao)

Chief General Manager (F&C)

Sd/-

(B.M.Govinda Raju)

Director (Technical)

Sd/-

(G. Kumar Naik)

Managing Director

As per our Report annexed

Sd/-

(K. Venkatesh)

Partner

for & on behalf of Murali & Venkat

Chartered Accountants

Place : Bangalore

Date : 17th Oct. 2005

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2005

Amount in Rupees

Sl. No.	Particulars	Current Year 2004-05		Previous Year 2003-04	
A	Cash Flow from Operating Activities				
	Net Profit before Tax	88,46,17,415		21,47,11,064	
	Adjustments for :				
	Depreciation	99,04,18,320		94,35,33,416	
	Interest & Other Charges	24,88,99,922		34,09,61,063	
	Interest Income on Investment	-		-	
	Contingency Reserve	-		-	
	Other Income	(11,98,00,496)		(22,86,33,993)	
	Prior period charges(+) or credits(-)	23,67,25,449		86,31,658	
	Income Tax	(7,59,10,000)	(6,02,10,000)	(8,70,70,000)	
	Operating Profit before working capital changes	216,49,50,610		1,19,21,33,208	
	Adjustments for :				
	Changes in Inventories	(88,579,427)		8,90,43,150	
	Changes in Sundry Debtors	(130,40,38,796)		(486,78,60,586)	
	Changes in Loans and Advances	(200,67,86,484)		(3,96,02,303)	
	Changes in Other Current Assets	360,00,53,617		(294,05,85,598)	
	Changes in Current Liabilities	(247,32,07,376)		518,51,86,633	
	Changes in Provisions	(23,92,346)		3,76,14,523	
	Operating Profit after working capital changes	(11,00,00,202)		(134,40,70,973)	
	Prior period charges(+) or credits(-)	(23,67,25,449)		(86,31,658)	
	Extraordinary items-Contributions from Consumers	147,19,34,898		590,790,483	
	Net Cash inflow from Operating Activities		112,52,09,247		(76,19,12,148)
B	Cash Flow from Investment Activities				
	Changes in Fixed Assets (Net)	(236,77,36,768)		(101,64,83,772)	
	Changes in Capital Work in Progress	(1,129,982,528)		8,34,55,276	
	Net Cash Outflow from Investment Activities		(349,77,19,296)		(93,30,28,496)
C	Cash Flow from Financing Activities				
	Changes in Capital/Share Deposit Account -	7,27,58,394		(6,18,89,787)	
	Changes in Secured Loans	59,19,47,574		63,80,32,721	

Sl. No.	Particulars	Current Year 2004-05		Previous Year 2003-04	
	Changes in Unsecured Loans	668,381,632		(83,55,445)	
	Service Line and Security Deposit	138,40,34,668		94,36,70,336	
	Interest & Other Charges	(24,88,99,922)		(34,09,61,063)	
	Other Income	(11,98,00,496)		22,86,33,993	
	Net Cash available from Financing Activities		258,80,22,842		139,91,30,755
D	Net Change in Cash and Cash equivalents - Surplus Cash [(A) + (B) + (C)]		21,55,12,793		(29,58,09,889)
	Add : Opening Cash and Cash equivalents		33,25,36,662		62,83,46,551
			54,80,49,455		33,25,36,662
E	Closing Cash and Cash equivalent		54,80,49,455		33,25,36,662

- Note : 1. The Cash & Cash equivalents represent Cash & Bank Balances and deposits with Banks.
 2. The Provision for Bad & Doubtful on Receivables is cash Neutral.
 3. The above Cash flow statement has been prepared under the Indirect Method set out in AS-3 issued by the Institute of Chartered Accountants of India.
 4. Figures in brackets indicate cash outflow.
 5. Previous years figures have been regrouped wherever necessary to conform to current period's classification.

Sd/-
(D. Babu Rao)
 Chief General Manager (F&C)

Sd/-
(B.M.Govinda Raju)
 Director (Technical)

Sd/-
(G. Kumar Naik)
 Managing Director

As per our Report annexed

Sd/-

(K. Venkatesh)

M. No.28348

for & on behalf of Murali & Venkat
 Chartered Accountants

Place : Bangalore
 Date : 17th Oct. 2005

AVERAGE REALISATION RATE FROM SALE OF POWER FOR FY 2004-05

DESCRIPTION	TARIFF	No. of Consumers	UNITS SOLD		Average Realisation Rate Per Unit (Ps.)	Revenue Demand (Rs.)	Closing Balance (Rs.)
			Units (in kwh)	% of Units			
BJ/KJ	LT 1	3,67,841	84,210,000	0.76	266.43	22,43,62,395	4,88,86,220
Lighting and AEH	LT 2(a&b)	37,36,363	2396,730,134	21.70	341.55	818,60,46,435	225,33,05,251
Commercial Lighting	LT3	4,68,544	561,924,439	5.09	652.62	366,72,24,159	35,28,77,760
IP Sets (10 HP & Below)	LT4(a)&(b)	489,630	3530,920,000	31.97	53.79	189,92,67,563	393,14,44,730
IP Sets (Above 10 HP)	LT4c	146	849,733	0.01	636.58	54,09,231	63,07,052
Pvt. Horticulture	LT4d	468	1,036,361	0.01	298.43	30,92,863	44,88,063
L.T. Industrial	LT5	1,10,609	870,234,976	7.88	456.19	396,98,81,644	37,90,47,283
Water Supply-VPs/TPs	LT6	18,907	154,240,025	1.40	466.02	71,87,85,589	106,82,01,729
Water Supply -/TMCs/CMCs	LT6	7,857	68,450,358	0.62	574.63	39,33,37,231	31,68,32,669
Public lighting-VPs/TPs & TMCs/CMCs	LT6 (i)&(ii)	18,389	242,400,000	2.19	483.54	117,20,95,780	1313788483.93
Temporary Supply	LT7	29,185	49,527,306	0.45	911.85	45,16,17,155	-26,37,83,746
TOTAL (LT)	I	52,47,939	7960,523,332	72.08	259.92	2069,11,20,045	941,13,95,496
Water Supply	HT1	80	428,061,557	3.88	360.53	154,32,84,555	10,21,94,620
HT Industrial	HT2(a)	2,091	1815,702,652	16.44	480.32	872,12,54,731	32,29,32,575
Commercial	HT2(b)	1,572	769,544,627	6.97	607.16	467,23,90,498	1,60,63,189
Lift Irrgtn Societies	HT3(a)	20	1,023,488	0.01	726.82	74,38,905	1,54,52,936
Lift Irrigation scheme/ Govt. Hort.	HT3(b)	1	0				80,116
Residential Apartments	HT4	132	69,782,747	0.63	371.61	25,93,16,777	-41,80,892
TOTAL (HT)	II	3,896	3084,115,071	27.92	492.97	1520,36,85,466	45,25,42,544
TOTAL (LT+HT)	III	52,51,835	11044,638,403	100.00	325.00	3589,48,05,511	986,39,38,040
Misc. receipts from Consumers						54,25,54,270	34,45,55,240
GRAND TOTAL						3643,73,59,781	1020,84,93,280
Less : Withdrawal of Revenue Demand						13,26,77,345	
NET TOTAL		52,51,835	11044638403		325.00	3630,46,82,436	1020,84,93,280



National Seminar on Current issues concerning the Power sector



Inaugurating the BELP Programme



Cultural Programme during Centenary Celebrations

Rural Load Management System

RLMS



24 hour 3 phase
uninterrupted
electricity



Rural Households



Rural Industries

Water Supply

Alternate switching of Irrigation loads is carried out using Programmable Logic Controllers (PLC). Continuous three-phase power supply will be provided to rural industries, for domestic usage and water supply. The RLM unit will be fixed on the LT side of the transformer and an energy meter is also provided to aid proper energy accounting.

ADVANTAGES

- 50% reduction in Feeder loading
- Improved voltage profile
- Reduction in energy losses
- Reduced transformer failure
- No rostering and unbalanced loading
- High quality power to agricultural consumers
- Better IP consumer satisfaction
- Possible to cater additional loads without any extra investment due to capacity release

IMPLEMENTATION

- Planned to install RLMS on 282 rural 11 kv feeders out of 990 in 2005-2006

High quality power
supply to agricultural
pump sets in
designated hours.



Bangalore Electricity Supply Company Limited

(Wholly owned Government of Karnataka Undertaking)
Visit us at: www.bescom.org

Lighting up your life