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th ANNUAL REPORT  
2005-06



BESCOM

ಬೆಂಗಳೂರು ವಿದ್ಯುತ್ ಸರಬರಾಜು ಕಂಪನಿ ನಿಯಮಿತ  
BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED



Independence day Celebrations



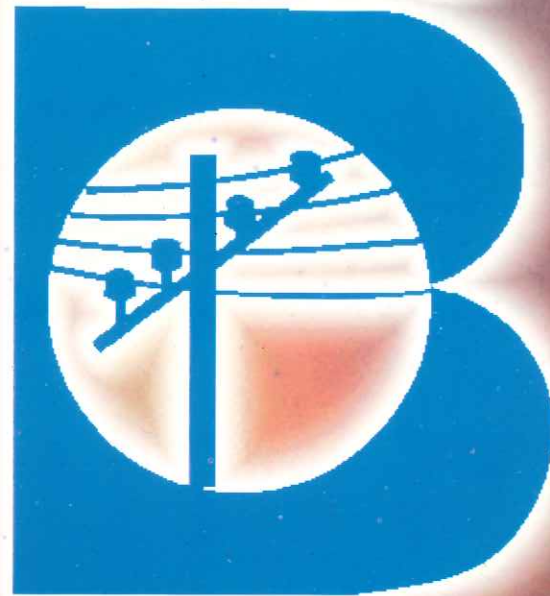
Independence day Celebrations



Independence day Celebrations

# Bangalore Electricity Supply Company Limited

ಬೆವಿಕಂ



**BESCOM**

4<sup>th</sup> Annual Report

2005 - 2006

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BESCOM

## DIRECTORS' REPORT

Dear Members,

The Board of Directors have pleasure in presenting the Fourth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended March 31<sup>st</sup> 2006.

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

The Year 2005-06 was the Fourth year after BESCOM started functioning on 01-06-2002. The year was a rigorous and challenging one. The company has set its agenda on Revenue Improvement measures 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, Meaningful Energy Audit at 11 KV and below, increased Customer 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 2005-06 is as follows :

Sl. No.	Particulars	Amount Rs. (in Crores)
<b>I</b>	<b>INCOME</b>	
1	Revenue from sale of power	4282.34
2	Rural Electrification Subsidy - GoK	-
3	Other Income	51.44
	<b>TOTAL</b>	<b>4333.78</b>
<b>II</b>	<b>EXPENDITURE</b>	
1	Purchase of Power	3359.62
2	Repairs and Maintenance	39.71
3	Employee Costs	286.57
4	Administrative and Other Expenses	55.46
5	Other Charges (Debits)	243.20
	<b>TOTAL</b>	<b>3984.56</b>
<b>III</b>	<b>Profit before Depreciation and Interest</b>	349.22
	Depreciation (Net)	110.88
<b>IV</b>	<b>Profit before Interest and Taxes</b>	238.34
	Interest and other Charges	103.14
<b>V</b>	<b>Profit before prior period charges or credits</b>	135.20
	Prior period charges (+) or credits (-)	(66.80)
<b>VI</b>	<b>Profit before Reserve &amp; Taxation</b>	68.40
	Reserve for Contingencies	-
<b>VII</b>	<b>Profit before Taxation</b>	68.40
	Provision for Taxation	17.07
<b>VIII</b>	<b>Profit after Taxation</b>	51.33

### 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 with focus on customer satisfaction, Regulatory compliance, meeting stakeholder expectations etc.

### MISSION

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

## B. CHANGE IN ACCOUNTING POLICY :

During the year under report, in order to comply with the Accounting Standards and to reflect a fair view of the Accounts, the following policies were reviewed and modified:

1. **Power Purchase :** The Company, as per Government Order No. EN 131 PSR 2003 dated 10-05-2005, adopted the power purchase directly from the Generator's Pool Account based on the guidelines from SPPCC from 10-06-2005. Accordingly, the policy for purchase needed modification and has been modified. (Accounting Policy No. 11.1) The Power Purchase cost is recognized based on the Government of Karnataka Order No.EN 131 PSR 2003 Dated 10th May 2005 for accounting the cost of power based on the billing made by Power Generators Pool allocated to BESCOM by the Government of Karnataka. The Company recognizes the reading at interface point of each power generator allocated to it.

The Transmission cost on power purchase 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 transmission of power :

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

2. **REVENUE SURPLUS :** As per the Electricity Act , 2003 and as per the guidelines from CERC/ KERC, the revenue surplus (Net Profit after Tax) for the year has to be retained at 14% ROE (Equity Plus Reserves and surplus) as against 3% ROR of earlier years. Accordingly, the policy has been modified. (Accounting Policy No. 6.1). In case of any shortfall to the extent, as arrived at by computing the Revenue Surplus @ 14% ROE, the same shall be made good by way of Government Subsidy from Government of Karnataka.

3. **Method of Provisioning for Bad and Doubtful Debts :** The provision for bad and doubtful debts is maintained at 4% on the net balance of sundry debtors (exclusive of Government and Local Bodies / Authorities, BJ/KJ installations and IP sets) 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.

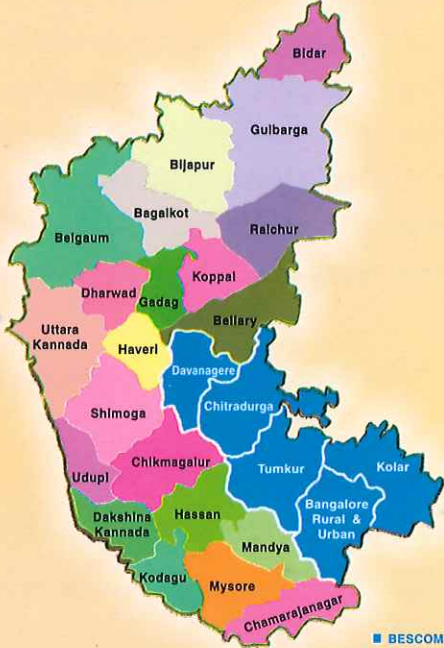
The Company has evolved a new method for provisioning in respect of IP sets/BJ/KJ categories to disclose the prudent aspect of quality of receivables in the IP sets/BJ/KJ Tariffs instead of the usual method of providing at 4%. Following is the specific provisioning for IP and BJ/KJ Categories :

a)	Dues outstanding for 2 years and above	-	75%
b)	Dues outstanding between 1 year and 2 years	-	50%
c)	Dues outstanding less than 1 year	-	Nil

(Accounting Policy No. 8.2)

## C. PERSPECTIVE:

1. BESCOM covers a contiguous area of 41,092 Sq. Kms with a population of over 168 lakhs and serves more than 55.5 lakh customers. The total asset is worth Rs. 2428 Crs.



■ Area	41,092 sq. km
■ Districts	6
■ Population	16.8 Million
■ Consumers	5.55 Million
■ No. of 33/11 s/s	5
■ No. of DTCs	92024
■ HT line length	57439 ckt kms
■ LT line length	134971 ckt kms
■ Employee Strength	
● Sanctioned	16,537 nos.
● Working	10,886 nos.
■ Total Assets	Rs. 2428 Crs.

## 2. Consumers Population :

Consumers population served by BESCOM is steadily increasing and recorded an increase of 5.60 % in FY-06 over previous year. The number of consumers existing as on 31-3-06 stands at 55,46,043. Category wise installation details are furnished below.

Sl. No.	Category	As on 31-3-06
1	Bhagya Jyothi	3,60,307
2	Domestic Lighting including AEH	39,82,318
3	Commercial Lighting	4,99,146
4	L.T. Power	1,14,372
5	H.T. Power	4,516
6	Irrigation Pump Sets	5,02,352
7	Street Lights & Others	49,188
8	Temporary Power	33,844
<b>Total</b>		<b>55,46,043</b>



### 3. Category wise number of consumers as on 31-03-2006 :

CATE- GORY	LT1a	LT2	LT3	LT4	LT5	LT6	LT7	HT1	HT2A	HT2B	HT3 (A&B)	HT4	Total
	BJ	Domestic Lighting & Heating	Comm- ercial	IP Set	LT Power	Water Works & Street Lights	Temp- orary	BWSSB	Indust- rial	Comm- ercial	Lift Irriga- tion	Resi- dential Apart- ment	
NO. OF CONSU- MERS	360307	3982318	499146	502352	114372	49188	33844	99	2403	1855	19	140	5546043
% OF TOTAL	6.50%	71.80%	9%	9.06%	2.06%	0.89%	0.61%	( — )	—	0.08%	( — )	—	100%

### 4. DEMAND SIDE MANAGEMENT :

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

Voltage class of stations	No. of Substations
400 KV	3
220 KV	23
110 KV	16
66 KV	211
33 KV	5
<b>Total</b>	<b>258</b>

### 5. Bulk Power Purchase in BESCOM :

KPTCL has been barred from trading in electricity with effect from 10.06.2005. Hence, all bulk power purchase activities have been carried out by the individual ESCOM as per G.O.No. EN131 PSR 2003 Bangalore Dtd. 10.05.2005. To co-ordinate all activities of power purchase by ESCOMs, a "State Power Procurement Co-ordination Centre" (SPPCC) has been formed by G.O.K. For this purpose, the individual shares of energy in respect of CGS, major IPPs, VVNL and KPCL have been worked out based on the energy consumption of each ESCOM during the year 2005 – 2006. Subsequently as per G.O.K. Notification dated 28-12-2005, the allocations to ESCOMs were revised with effect from 01-11-05.

ESCOMs	Sharavathi Gen. Station	Major IPPS	Yelahanka DG Plant
BESCOM	24.0487%	81.5768%	100%
MESCOM	6.5245%	18.4232%	0%
HESCOM	30.9353%	0%	0%
GESCOM	24.8015%	0%	0%
CESCO	13.6927%	0%	0%

Here, allocation of major IPPs share of HESCOM & GESCOM was transferred to BESCOM at the expense of low cost (Sharavathi) energy. Due to this transfer of High cost energy, the additional burden to BESCOM for the year 2005-06 is Rs.131.39 crores (Actual extra expenditure from November-05 to March-06) and the additional burden for the year 2006-07 would be about Rs.620 Crores.

**STATEMENT SHOWING THE DETAILS OF POWER PURCHASED, REBATE  
AVAILABLE & AMOUNT BILLED FROM 1.4.05 TO 31.3.06**

Sl. No.	Name of the Source	Energy in MUs	Cost of Power Purchased In CRs	Power Purchase Cost in Rs/ Unit	Rebate in CRs
1	CGS	3804.36	639.63	1.68	8.15
2	UI Charges	377.25	59.71	1.58	0.00
3	VVNL-HYDEL	273.40	23.53	0.86	0.00
4	VVNL-DG	44.13	70.88	16.06	0.00
5	KPCL-HYDEL	3883.29	239.29	0.62	0.00
6	KPCL-THERMAL	2880.88	697.59	2.42	0.00
7	KPCL - WIND	4.21	1.62	3.85	0.00
8	Major IPPs	286.70	343.33	11.98	4.41
9	IPP (NCEs)	1334.71	468.50	3.51	0.00
	<b>TOTAL</b>	<b>12888.93</b>	<b>2544.08</b>	<b>1.97</b>	<b>12.56</b>
10	PGCIL-Trans Charges		72.05		0.53
11	PGCIL- O&M Expenses		0.00		
12	KPTCL Transmission Charges	12379.28	297.92		
13	LDC O&M Expenses		1.31		
14	SPPCC Expenses		0.03		
15	SPPCC Revenue Expdn		0.29		
16	INTER ESCOMS		4.13		
	<b>TOTAL POWER PURCHASE FROM 10.6.05 TO 31.3.06</b>	<b>12888.93</b>	<b>375.73</b>	<b>2.12</b>	<b>13.09</b>
	<b>Total from 1.4.05 to 9.6.05</b>	<b>2941.67</b>	<b>439.81</b>		
	<b>GRAND TOTAL</b>	<b>15830.60</b>	<b>3359.62</b>	<b>2.12</b>	<b>13.09</b>

Note : 1. Total Energy purchased : 15830.60  
2. Total Energy at Interface Point for Sale : 15320.95

6. The following source wise energy with effect from 10-6-2005 is shown in the table indicated below:

Source of Energy	Units in MU	Cost
Hydel Energy	4468.40	34766.96
Thermal Energy	5407.36	106459.59
Lignite Energy	934.28	18183.01
Atomic Energy	314.96	8944.76
Conventional Energy	330.83	41420.83
U.I. Charges	377.25	5971.50
Non Conventional Energy	1055.85	38661.22
Transmission and Administrative charge		81553.91
<b>Total</b>	<b>12888.93</b>	<b>335961.78</b>

Transmission charges has been levied by KPTCL at 19.42 paise per unit.

## 7. BESCOM Efficient Lighting Program (BELP) :

### a) BESCOM Efficiency Initiatives

BESCOM has initiated several DSM and efficiency improvement programs such as Rural Load Management Scheme (RLMS) and HVDS to help people to know the importance of energy conservation. BESCOM presents the innovative Bescom Efficient Lighting Program (BELP). Sponsored by United States Agency for International Development (USAID) under the Energy Conservation and Commercialisation (ECO II) initiative. This program is implemented by International Institute for Energy Conservation (IIEC), Bureau of Energy Efficiency (BEE) and BESCOM.

### b) BELP Drivers

- BESCOM intends to improve services to residential customers
- Insurance against power surges, ECS, instant billing programs target at improving outreach.
- Residential tariff still subsidized, reducing system losses seen to be a benefit to BESCOM system.
- Lighting in residential sector adds to evening peak.

### c) BELP Program Overview

- Program on pilot was designed & supported by International Institute for Energy Conservation (IIEC) under funding from United States Agency for International Development.
- Collaboration with the Bureau of Energy Efficiency (BEE).

d) **Key Elements**

**Lighting Technologies**

- Promotes Compact Fluorescent Lamps (CFLs) and 36W Fluorescent Tube Lights

**Program Area and Scope**

- Demonstration project initially implemented in Bangalore Urban District
- Program open to Domestic Customers only
- Eligible Customers = 1.3 Million

e) **Other Features**

- CFLS are distributed through approved retail stores
- CFLS purchased will have a minimum warranty of 1 year
- BESCOM will collect payments and pass it on to lamp suppliers monthly.

f) **Program Benefits**

**Monthly Savings**

**CFLS**

- Average saving per CFL = Rs 17
- Average installment = Rs 15
- Customers pay from their savings

**36W Fluorescent Tube Lights**

- Average cost Rs 32 (40W FTL cost Rs 35)
- 10% savings in energy.

g) **Way ahead**

- Expanding BELP to other service territories under BESCOM
- Expansion to other DISCOMs in Karnataka
- Initiation of other DSM programs
- Solar water heater/LPG back-up system for BESCOM urban sector
- Energy Efficient (EE) IP sets programs for BESCOM rural sector

**D. POWER SUPPLY :**

1. 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. The power supply demand of BESCOM is steadily increasing at the rate of 8-10% during the last three years.

Year	Energy Input (MU)	% Increase over previous year	Energy Available for Sale (MU)	% Increase over previous year	Distribution Loss (%)
FY-03 *	10276		7721.78		24.86
FY-04 *	13758	33.88%	10120.66	31.07	26.44
FY-05 *	14654	6.51%	11044.63	9.13	24.63
FY-06 *	15321	4.55%	11613.69*	5.15	24.20

\* Energy available for sale excludes 6.75 MU of Auxiliary consumption.

## 2. ENERGY INPUT :

During FY 06 total energy at Interface point for sale is 15,321 MU as against 14,654 MU during last year. This does not include wheeled energy, which is transmitted through our network.

## 3. METERED CONSUMPTION :

Year	Input Energy (Mus)	Consumption by Metered Category (Mus)	% increase over previous year
FY-03	10276	4748.09	-
FY-04	13758	6312.80	32.95
FY-05	14654	7187.10	13.85
FY-06	15321	8307.06	15.58

## 4. SALE OF ENERGY :

During FY-06, 11620.46 MUs were sold to various categories of consumers, out of which 8307.06 MUs were under metered category and the balance of 3313.40 MUs was accounted under unmetered category. The distribution loss for the year is assessed at 24.15%. This is arrived at by taking into consideration the metered sales from the same months DCB.

## 5. CATEGORY WISE CONSUMPTION :

### i) Metered Energy Sales :

Sl.No.	Category	In Mus
1	Domestic Lighting. incl. AEH	2651.99
2	Commercial Lighting	658.76
3	IP set (Metered)	2.04
4	L.T. Power	905.36
5	H.T. Power	3782.21
6	Water Works / Public Lighting	238.99
7	Temporary installations	67.71
<b>TOTAL</b>		<b>8307.06*</b>

\*Note : Total metered energy sales of 8307.06 MU includes 6.75 MU of Auxiliary consumption.

ii) Un-Metered Energy Sales:

Sl.No.	Category	In Mus
1	Irrigation Pump Sets	2885.02
2	Public Lighting	350.40
3	BJ / KJ	77.98
<b>TOTAL</b>		<b>3313.40</b>

6. Power supply to rural areas was ensured to be as per the directions of the State Government.

BATCH A		BATCH B	
0700-1100 hrs	No supply	0700-1100 hrs	3 ph. Supply
1100-1600 hrs	3 ph. Supply	1100-1800 hrs	No supply
1600-1800 hrs	No supply	1800-0300 hrs Next day	S. ph. supply
1800-2200 hrs	S. ph. supply	0300-0700 hrs	3 ph. Supply
2200-0200 hrs Next day	3 ph. Supply		
0200-0700 hrs	S. ph. supply		

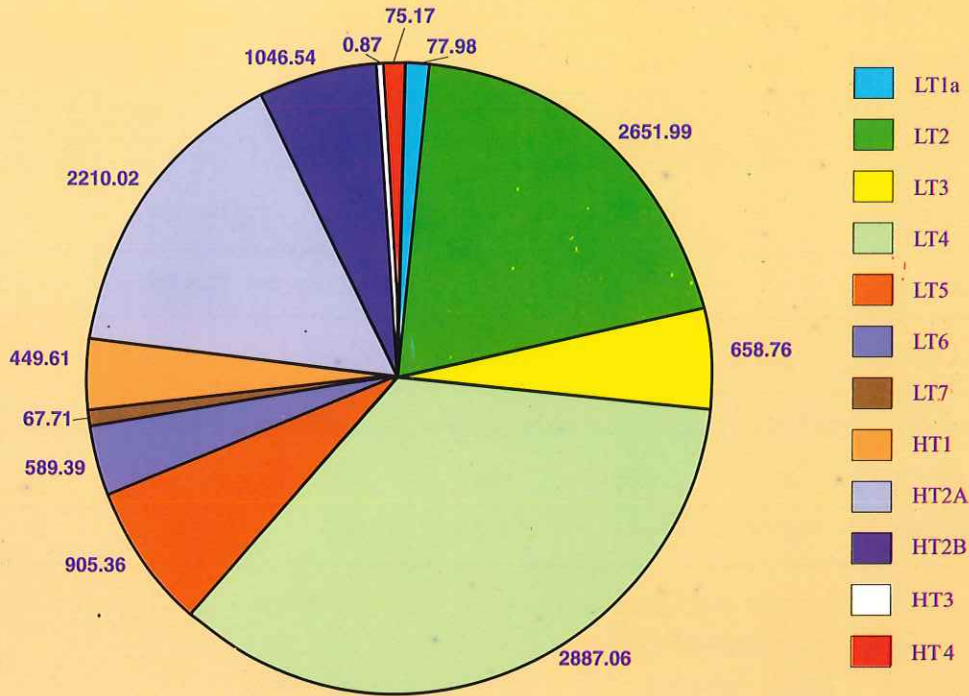
7. Category wise energy sold 2005-06

Tariff	LT1a	LT2	LT3	LT4	LT5	LT6	LT7	HT	TOTAL
<b>Category</b>	BJ	Domestic Lighting & Heating	Comml	IP Set	LT Power	Water Works & Street Light	Temp	H.T.Power	
<b>Energy Sold in Mus</b>	77.98	2651.99	658.76	2887.06	905.36	589.39	67.71	3782.21	11620.46

HT Breakup :

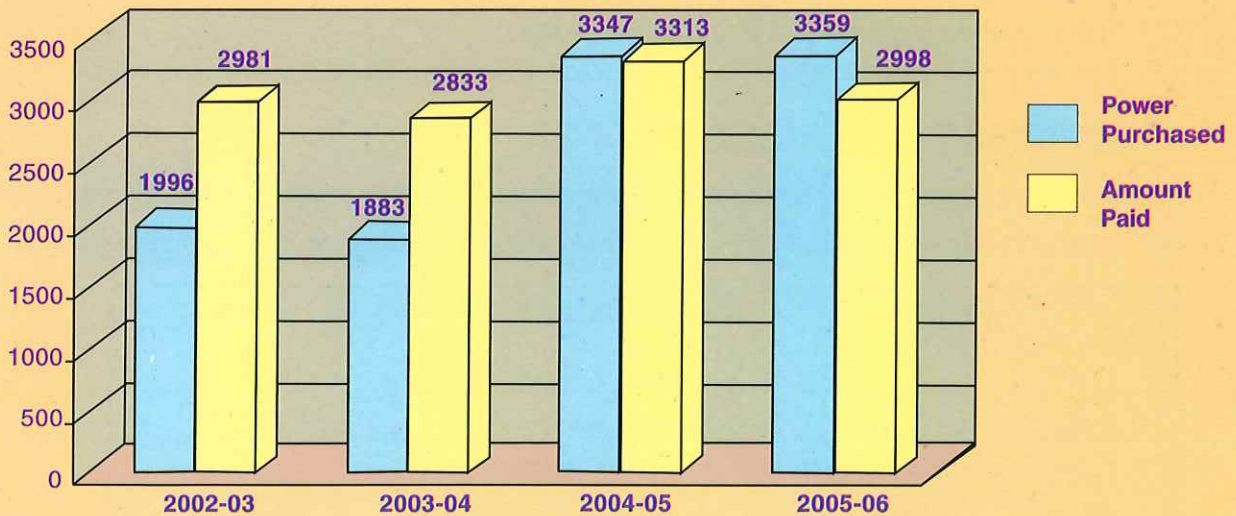
HT1	HT2A	HT2B	HT3	HT4	TOTAL
Water Supply	Industrial	Commercial	Lift Irrigation	Residential Apartments	
449.61	2210.02	1046.54	0.87	75.17	3782.21

Category wise energy sold for FY-06



8. Power Purchase:

During the year FY 06, Power Purchase cost was Rs.3359.62 Crores and the payment made during the year was Rs.2998.18 Crores.



**E. INFRASTRUCTURE ADDITIONS :**

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 : 3822.45 KMs
2. LT line added : 1493.00 KMs

	During the year 2005-06	Total Existing at the end of 31-03-2006		
		OH	UG	TOTAL (in KMS)
HT line Added	3822.45	55285.88	2153.47	57439.35
LT line Added	1493.00	134191.21	780.22	134971.43

3. The number of Distribution Transformers added 9084 Nos.

Capacity	25 KVA	63 KVA	100 KVA	250 KVA	500 KVA	750 KVA	TOTAL
During FY-06	5905	1056	1535	486	95	7	9084
Cumulative	19776	31041	26784	11969	2446	8	92024

4. Nos. of RMUs installed (Board fund). 98 Nos.  
 Nos. of RMUs installed (APDRP). 238 Nos.  
 Total Nos. of RMUs installed 336 Nos.
5. Hamlets Electrified: 8 Nos.  
 HB /JC / Thandas /AC Electrified: 161 Nos.
6. IP sets energized: 17263 Nos.  
 BJ/KJ Electrified 5444 Nos.  
 Drinking Water Supply electrified 1265 Nos.  
 Ganga Kalyana electrified 719 Nos.
7. The budget for capital works was Rs 363 Crores.  
 The expenditure booked was Rs 432.24 Crores including Service connection works.

**F. DISTRIBUTION TRANSFORMER FAILURES:**

BESCOM is emphasizing on more preventive maintenance works of infrastructure and equipment. The result is that the rate of DTC failures has considerably reduced as indicated below:

	No. of DTC's existing	No. of DTC's failed	% of failure
FY-03	54301	9855	18.14
FY-04	72243	9376	12.98
FY-05	82940	11003	13.26
FY-06	92024	11744	12.76

The failure of transformers in Bangalore City is "ZERO".



## G. EFFICIENCY IMPROVEMENT & CUSTOMER SERVICE :

### Commercial Efficiency:

As a consequence to objective approaches, the revenue demand and collections have shown an increasing trend. The increased trend has continued in FY-06 also. The comparative figures are furnished in the following sections:

### Revenue Demand :

The revenue demand or billings have increased over the years as follows:

- Demand FY 03: Rs 2354 Cr
- Demand FY 04: Rs 3242 Cr
- Demand FY 05: Rs 3644 Cr
- Demand FY 06: Rs 4282 Cr

### Revenue Collection :

The revenue collections have increased over the years as follows:

- Collection FY 03 : Rs 2333 Cr
- Collection FY 04 : Rs 2826 Cr
- Collection FY 05 : Rs 3352 Cr
- Collection FY 06 : Rs 3712 Cr

### Collection Efficiency :

The table below shows the collection efficiency :

Collection Efficiency	Without BJ / IP	Overall
FY 03	97 %	87.02%
FY 04	95.66 %	100%
FY 05	96.81%	93%
FY 06	94.63%	88.16%

## H. ERC FILING AND TARIFF REVISION :

The Expected Revenue from charges for FY 07 was filed with KERC on 12.05.06 after obtaining approval of the Commission for late submission. The projected Revenue Gap of BESCOM for FY-07 is Rs. 390.60 Crs after considering the subsidy of Rs. 361.70 Crs. by the GoK. The Capital Plan Investment for FY-07 is Rs.1085 Crs. BESCOM filed replies to observations of KERC for FY-07. The ERC is under consideration of the Commission. Last Tariff revision was ordered on 27.09.05 and has become effective from 10-10-2005.

**I. 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, G.O.K. 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, General Manager (EI).
3.	Above 1000 KVA & up to 2000 KVA	Zonal Chief General Manager (EI)
4.	Above 2000 KVA	Corporate Office.

Demand for power both new and additional have shown an increasing trend over the years. Power supply sanctions were accorded in respect of 667 new HT installations with an aggregate Contract Demand of 2,37,152 KVA, out of which 60 installations were having more than 1000 KVA Contract Demand, adding to a total CD of 1,23,284KVA.

**J. BANKING & WHEELING OF ENERGY BY INDEPENDENT POWER PROJECTS:**

During FY-06, 16 Nos. of Private generating Companies availed the banking & wheeling facility totaling 189.82 MUs

Sl. No	Name of the IPP	In MU
<b>A</b>	<b>MINI Hydel Schemes</b>	
1	M/s. Bhoruka Power Corp. Ltd., Shivpura	57.32
2	M/s. Bhoruka Power Corp. Ltd., Shahapura	15.51
3	M/s. Graphite India Ltd.	47.24
4	M/s. Yuken India Ltd	0.63
5	M/s. Cauvery Hydro Energy Ltd.	11.71
6	M/s. Kilara Power (P) Ltd., Maddur, Mandya	1.97
7	M/s. Dandeli Ferro Pvt Ltd.,	4.46
8	M/s. Country Power Management Company Pvt. Ltd	4.11
<b>TOTAL</b>		<b>142.95</b>

Sl. No	Name of the IPP	In MU
<b>B</b>	<b>Wind Energy</b>	
1	Jindal Aluminium Ltd., Chitradurga	11.27
2	M/s. Kirloskar Electronic Co. Ltd., Belgaum	0.01
3	M/s. RPG Telecom Ltd. Hanumasagar, Koppal District	0.84
4	M/s. Renewable Energy Systems	3.18
5	M/s. Indo Wind Energy Ltd., Gadag Taluk	2.20
6	M/s. G.I. power Corporation Ltd	18.38
7	M/s. Madras Cement Ltd.	2.47
	<b>TOTAL</b>	<b>38.35</b>
<b>C</b>	<b>Diesel Energy</b>	
1	M/s. Kirloskar Power Supply Co. Ltd., Bevinahay	8.52
	<b>Total</b>	<b>8.52</b>
	<b>Grand Total</b>	<b>189.82</b>

#### **K. CONSTITUTION OF CONSUMER GRIEVANCE REDRESSAL FORUM :**

BESCOM has constituted a Consumer Grievance Redressal Forum as per Clause 3.1 of KERC Consumer Grievance Redressal Forum & Ombudsman Regulation – 2004. The forum consists of Chairman and two other members. The General Manager (Corporate Planning) is ex-officio convener of the forum and serves full time. Another member is a Representative of Public Affairs Center. The head quarters of the forum is presently situated at CSD compound, Rajajinagar, Bangalore. The following are the member functionaries.

Sri. Kumaraiah, Chief Engineer(Retd.),KPTCL	–	Chairman
Sri. N.Rama Murthy, General Manager (CP)	–	Convener
Representative of Public Affairs Center	–	Member

Consumers not satisfied with the services rendered by Jurisdictional field officers, can represent to "Consumer Grievance Redressal Forum" in the prescribed application Form 'A' (Available in all BESCOM offices & Consumer Grievance Redressal Forum) within 30 days from the date of lodging complaint to the jurisdictional field officers. Application Forms completed in all respects shall be submitted in person or through post to General Manager,(Corporate Planning), Corporate office, BESCOM, K.R.Circle, Bangalore – 560 001.

**L. a. Inter State ABT regime:**

Inter State ABT regime is already implemented from 1st January 2003. This has brought grid discipline and proper monitoring of load flow among various states. The energy charges payable will be on scheduled availability. Energy charges for U.I. (Unscheduled inter change) payable by any state for the energy drawn over and above its schedule is linked to frequency at which the U.I. energy is drawn. The present rate of U.I. Charges are furnished below.

Interstate drawal is controlled by regulating the generation of the state generating plants.

**b. UI Rates are, with effect from 01.10.2004 :**

Sl. No	Frequency Hz	UI Charges Rate / Unit
1.	49.00 & below	5.70
2.	49.10	5.25
3.	49.20	4.80
4.	49.30	4.35
5.	49.40	3.90
6.	49.50	3.45
7.	49.60	3.00
8.	49.70	2.55
9.	49.80	2.10
10.	49.90	1.80
11.	50.00	1.50
12.	50.10	1.20
13.	50.20	0.90
14.	50.30	0.60
15.	50.40	0.30
16.	50.50	0.00

**c. Intra state ABT regime :**

1. ABT regime has to be extended to all the ESCOMs. This is called intrastate ABT and to be implemented.
2. ABT in simple terms is the forecasting/scheduling of the load/energy requirements of ESCOMs, out of the allocations from state generating stations (Merit Order wise Power Purchase Plan) in advance and controlling the drawal to match the schedule.
3. ABT compliant meters at 11KV interface points are being fixed by KPTCL in 220/110/66KV stations to monitor the loads.

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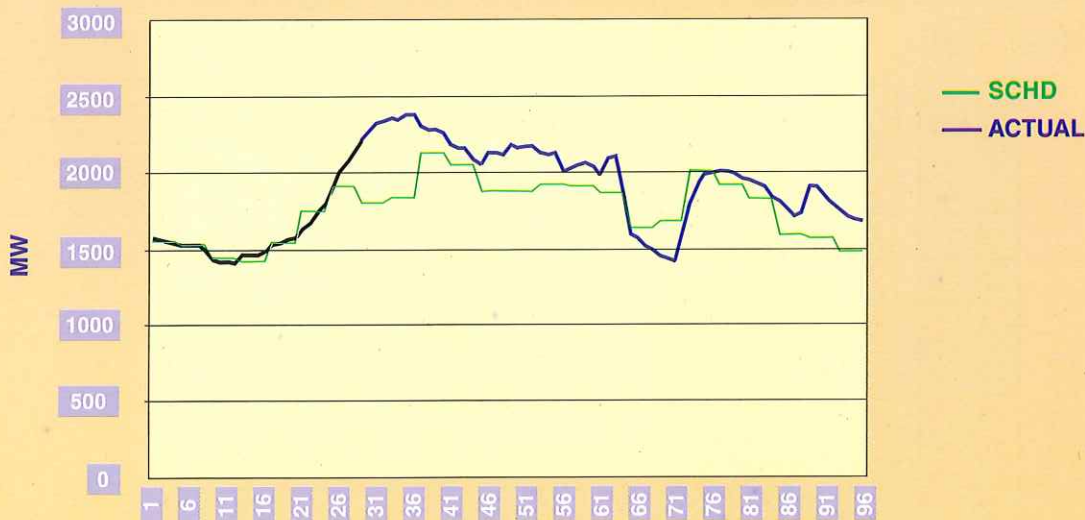
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9.	49.80	2.10
10.	49.90	1.80
11.	50.00	1.50
12.	50.10	1.20
13.	50.20	0.90
14.	50.30	0.60
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4. The Unscheduled Interchanges in intra-state ABT are based on excess / under drawal against the schedule given by BESCOM for each time slot in a day.
5. Intrastate drawal can be controlled by ESCOMs by way of load shedding only.
6. ABT compliant meters at five 33KV interface points have to be provided by BESCOM in 33 KV stations.
7. Intrastate ABT regime is proposed to be introduced stage by stage. An interconnection between SLDC & BESCOM (at the office of the RLPP/BPPC/EBC) was established on 18-02-2006. Monitoring unit (P.C) was also setup to monitor the real time drawal by BESCOM at various 220 KV stations & also over drawal / under drawal by BESCOM.
8. In the next stage, a full fledged Load Despatch Centre (Load Distribution Centre) for BESCOM could be installed. This will help in better monitoring of Load flow.
9. Software has been developed by State Load Despatch Centre, Bangalore, to monitor the load/energy drawal of each ESCOM.
10. The U.I. charges are based on the drawal of each ESCOM integrated over each 15 min. block in a day against schedule. There will be 96 such 15 min. blocks in one day.
11. With effect from 10-01-2006, the day ahead schedule of BESCOM requirement is being furnished to LDC Bangalore for 96 time slot in a day.

**BESCOM SCHD / ACTL 10-01-2006**  
(Graphical representation of schedules verses actual drawals)



12. The actual drawals against the schedules are being compared & modifications (if any) are being made in the future schedules.

**M. APDRP WORKS :**

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

Government of India, MOP vide their letter dated 04.10.2002 sanctioned the following projects under APDRP for BESCOM and the same has been completed.

Name of the Project	Cost (Rs. In Crores)
■ Bangalore City	338.30
■ KGF (Robertson pet)	7.76
■ Tumkur	16.22
■ Davanagere	9.93
<b>Total</b>	<b>372.21</b>

The Progress of works is as under :

	Financial Progress Cost (Rs. In Crores)	Physical Progress (% of Progress)
Bangalore City	387.99	92%
KGF (Robertson pet)	4.58	96%
Tumkur	14.08	88%
Davanagere	7.92	89%
<b>TOTAL</b>	<b>414.57</b>	

- MOP, Government of India have further sanctioned the following projects under APDRP for BESCOM in October - 2004.

Sl. No.	Project Area	Cost of scheme (Rs. in Crores)
1	Anekal	5.47
2	Chandapura	6.01
3	Channapatna	0.68
4	Doddaballapura	2.63
5	Ramanagara	1.19
6	Harihara	0.70
7	Chitradurga	2.67
8	Bangarpet	1.93
9	Chikkaballapura	1.50
10	Chintamani	1.77
<b>TOTAL</b>		<b>24.55</b>

The progress of works is as under :

Sl. No.	Project Area	Financial Progress Cost (Rs. in Crores)	Physical Progress (% of progress)
1	Anekal	5.61	98%
2	Chandapura	7.13	92%
3	Channapatna	0.62	11%
4	Doddaballapura		
5	Ramanagara		
6	Harihara	2.17	93%
7	Chitradurga		
8	Bangarpet	Tender Floated and under finalization	
9	Chikkaballapura		
10	Chintamani		

#### N. INFORMATION TECHNOLOGY :

- Billing activity:** Billing activity is computerized in all 103 Subdivisions of BESCOM. Out of these 103 Subdivisions, billing activity is entrusted to outside agencies in 49 Subdivisions (Kolar Circle and Chitradurga Zone) on Total Revenue Management System and spot billing is being done using hand held instruments. Whereas in 54 Subdivisions (BMAZ & BRC) computerized bills are being issued using BILLNET/BNC Software. Consumer data of BMAZ Subdivisions (39) is ported on a Central Server at Corporate office. This data is made available on our Website and the consumers of Bangalore City can view the billing history of their installations.
- Intranet Connectivity:** 24 hour Intranet connectivity is established from all Circle/ Division/ Subdivision offices of BMAZ to Corporate office. Dedicated BSNL leased line connectivity has been established from Rural Division office / Circle offices / Zonal offices to Corporate office. This has enabled flow of data from Sub-Division to Division to Circle to Zone and in turn to Corporate Office. Beside that 39 subdivision offices of BMAZ, all Divisions, Circles and Zonal offices of BESCOM are provided with 256 Kbps Internet connectivity through BSNL DATAONE.
- Website:** BESCOM's website ([www.bescom.org](http://www.bescom.org)) has been running successfully since 2003. Information to public is available on this Website. An e-mail system is also in place to facilitate communication among officers of BESCOM.
- Any Time Payment counters (ATP):** Any Time Payment counters have been installed in 39 Subdivisions of BMAZ. BESCOM has made arrangements with BWSSB KIOSKs/Bill Desk/Bill Junction/ Easy Bill/Bangalore-one counters to collect Electricity Bills.
- Interactive Voice Response System (IVRS):** Interactive Voice Response System has been installed, which facilitates customers across BESCOM area seeking billing information or for lodging complaints/to get the status of complaint lodged at Central Consumer Complaints Division.



6. **e-Tendering:** As a part of e-governance, e-Tendering system is put in place under the link "Tenders" of BESCOM website.
7. **Real time Remote Automatic Meter Reader (RRAMR):** All HT installations of BESCOM & some LT installations of 40 HP and above in Bangalore City are being read through Real time Remote Automatic Meter Reading system to ensure centralized HT billing, to get surveillance. This project is under progress.
8. **Mobile Messaging System (MMS):** Mobile Messaging System has been running successfully since last year. This is being used by consumers for lodging complaints, seeking billing and other related information. This has also facilitated communication among BESCOM officers.
9. **Transformer Management System (TMS):** Transformer Management System software has been running since last year in all Divisions of BESCOM and is being use to monitor the entire life cycle of Distribution Transformer.
10. **Cash Management System (CMS):** BESCOM has launched Cash Management System – Online (CMS). This has facilitated BESCOM to network with banks and its sub-divisions so as to ascertain its cash flow and also reduce the floats with the banks.
11. **Works Management System (WMS):** In order to ensure proper utilization of funds for various capital works programme so as to reduce and also eliminate cost and time overrun, BESCOM has implemented Works Management System (WMS), BESCOM is now in a position to monitor its works effectively.
12. **Management Information System (MIS):** Management information System is implemented through the Web which enables information interchange on real time basis between Divisions and Corporate office.
13. **HR & Pay Roll:** HR & Pay Roll System has been installed in Corporate office and other pay drawing offices of BESCOM. Final testing of the system is in progress.
14. **Energy Audit System:** Energy Audit System has been implemented in order to monitor losses at the level of Transformers and feeders.
15. **Financial Accounting Software (FAS) :** Financial accounting software is being implemented to monitor and maintain the entire accounts of BESCOM and to furnish monthly and yearly returns.
16. **Geographical Information System (GIS):** Geographical Information System is under implementation to ensure geographical mapping, documentation of network/ asset indexing and consumer indexing of Bangalore City. This is under progress.
17. **Audit and Inspection Software:** Audit and Inspection Software has been implemented in BESCOM to computerize Internal Audit activities.

## O. CENTRAL CONSUMER COMPLAINTS DIVISION:

Consumer complaints are received at CCCD through IVRS, e-mail, SMS and landline telephones. The CCCD staff contact the respective zonal service station for redressal and update the status.

The 220/66 KV sub station and transmission line failures and 11 KV feeder interruptions are recorded in the logbook, as and when they occur and are being monitored.

The daily and monthly statement of 11 KV feeder interruptions of the sub stations in BMAZ area are prepared and submitted to the Corporate office, CGM EI., C, O&M, BMAZ and GM EI., C, O&M South Circle/ North circle, BMAZ, BESCOM, Bangalore.

The complaints received at zonal service stations in BESCOM, comprising of BRAZ and Chitradurga zones are consolidated.

Regarding working of IVRS : The IVRS is established at CCCD during December/ January 2004 by M/s Canbank computer services Ltd., Bangalore, for receiving power supply related and billing complaints.

The web based IVRS is designed to function in the following manner.

Consumer complaints both power related and billing are registered by the IVRS in the interacting voice mode and the docket number is issued for future reference while registering a complaint, the IVRS will prompt the consumer to speak out his/her 13 digit consumer ID which is available in the electricity bill. Even in the absence of ID code the complaint is registered and routed to CCCD.

When the consumer ID is given by the consumer, the complaint is routed to the concerned sub division. When the consumer gives incomplete details, the complaint is invalid. Hence the caller ID is provided to know more information about the complaint

The sub division soujanya counter will receive a new complaint and register promptly and the status is updated.

30 calls can be transferred simultaneously to the CCCD operator and 6 PRI lines are connected to the IVRS. At present only 8 consumers can call at a time.

Complaints Received/Attended at CCCD/ZSS for the year of 2005-06

Apr'05	May'05	June'05	July'05	Aug'05	Sept'05	Oct'05	Nov'05	Dec'05	Jan'06	Feb'06	Mar'06	TOTAL
17123	18928	17072	17367	17232	16261	18581	15227	13619	12574	11351	15689	191024

## P. 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 General Manager (Ele.), 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 EI. Certificate to be signed by Chief General Manager (Ele.,)
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.

**Q. CUSTOMER CARE :**

**1. 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 by 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 Engineer's (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.
- The Electronic Clearance Scheme is being popularized 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 2006, 51,377 numbers of consumers are using this scheme.

- IV. Computerization of billing in all 103 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 complain directly or by e-mail. All these are attended to on top priority. In FY-06, 484 numbers 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. The complaints are acknowledged, attended and feed back responses given.
- VII. Special efforts are being made to bring about an attitudinal change in the field staff to respond courteously to customer's complaints. All field staff have been sensitized to be courteous, polite and responsive while dealing with customers at all times. An in-house HRD center has been put in place to impart training to all employees / officers. As at the end of FY-06, 10,163 number of employees / officers were trained at HRD center.
- VIII. All meter readers have been provided with uniform and identity cards, to make it easier for customers to identify them.
- IX. The field staff are trimming the tree branches nearer to the distribution system in consultation with the area welfare associations wherever existing.
- X. 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-division/ division offices. Customers can write down their problem/ views/ suggestions in these books and these are looked into and attended to promptly.
- XI. 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.
- XII. Single redressal point of contact with dedicated telephone for all ECS related problems is established in the office of the Chief General Manager(Ele.,)(C,O&M) BMAZ.
- XIII. 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.

XIV. 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.

XV. 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.,

**XVI. Any time payment:**

BESCOM in association with Can Bank Computer Services Ltd., a subsidiary of Corporation Bank, have installed 40 KIOSKS in Bangalore to facilitate consumers to pay their bills Any Time. This facility is seen to be very useful to consumers in Bangalore.

**XVII. 24 x 7 Service Stations:**

24 x 7 working service stations are working in Bangalore, Kolar, Tiptur, Davanagere, Hiriyur Towns.

## 2. CONSUMER MEETS:

Regular customer interaction meetings with customer welfare associations by Zonal Chief General Managers (Ele), General Managers (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 also in all districts twice in a year. One customer interaction meeting in association with Public Affairs Centre, an NGO, was held at Bangalore.

## 3. 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.

## 4. COMMUNICATION CAMPAIGN:

To increase awareness amongst the customers about initiatives undertaken by BESCOM about 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 among consumers. Print and Electronic media were also utilized 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 related to customer interests.
- Managing Director held Press conference, on initiatives undertaken and progress achieved.

- Managing Director conducts a number of phone in programme on popular video and AIR channels. As such 7 episodes of phone-in program have been completed.
- Communication Coordinators 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.
- Vidyut jagruthi Yojane – a scheme of educating school children on electricity usage, safety and conservation. It was decided to have the awareness programme in one school per sub division per month for one year. There are 103 sub divisions in BESCOM. Hence the programme will be conducted in 1236 schools. As a part of the programme, objective test will be conducted. Related folders and question papers were got printed and distributed to sub divisions.
- A unique scheme “ Arranging power supply to Domestic and Commercial installations in 24 hours” was implemented for the citizens of Bangalore City. In this regard flex banners, posters, leaflets were got printed and circulated.

#### 5. GRAMA VIDYUT PRATINIDHIs.

Nearly 904 GVP's work 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 40H.P. (excluding water supply, streetlight.)
- Giving feed back about field realities to the utility on regular basis.
- Total Grama Panchayaths (Excluding BMAZ)=1308
- No. of MFF's Working = 904
- Total Baseline Target in March 2006 = 518.87 Lacs
- Total revenue collection in March 2006 = 712.82 Lacs
- Percentage above Baseline Target = 37%

#### R. CORPORATE GOVERNANCE :

1. BESCOM believes in striving continuously towards higher levels of transparency, responsibility and accountability and fairness in all aspects of its operations. At Bangalore Electricity Supply Company Limited, Corporate Governance practice is not merely a matter of adherence to a regulatory framework,

but a means of achieving excellence through adoption of competitive corporate strategies, prudent business plans and strategic monitoring. This would ultimately result in transforming the corporate entity into a more democratic organization.

The Board of BESCOM believes and supports Corporate Governance practices of a high standard, ensuring observance of these principles in all its dealings.

All the Directors take active part in the proceedings of Board and Sub- Committee meetings which add value in the decision making process. The non functional directors receive sitting fees for Board/Sub-committee meetings attended by them.

## 2. Board Meetings

The meetings of the Board of Directors are scheduled in advance for which notice is given to each Director in writing. The Company Secretary helps and coordinates preparation of agendas for the meetings in consultation with the Chairman, Managing Director and Directors. The agenda and other relevant notes are circulated to the Directors in advance.

During 2005-06 a total number of Six Board meetings took place as follows:

Sl.No.	Meeting No.	Held on
1	12 <sup>th</sup> Board Meeting	17 <sup>th</sup> May 2005
2	13 <sup>th</sup> Board Meeting	29 <sup>th</sup> July 2005
3	14 <sup>th</sup> Board Meeting	30 <sup>th</sup> September 2005
4	15 <sup>th</sup> Board Meeting	24 <sup>th</sup> October 2005
5	16 <sup>th</sup> Board Meeting	07 <sup>th</sup> January 2006
6	17 <sup>th</sup> Board Meeting	10 <sup>th</sup> March 2006

The following are the Directors of BESCOM as on the date of AGM:

1	Sri. Bharat Lal	Chairman
2	Sri. Gonal Bhimappa	Managing Director
3	Sri. S.K. Sridhara	Director(Technical)
4	Sri.V.M.Chandre Gowda,	Director
5	Sri. Ritvik Pandey, I.A.S.,	Director
6	Smt. Aditi Raja	Director
7	Sri. M. Lokraj	Director
8	Sri. M.V Murthy	Director
9	Sri. Prathap Kumar	Director
10	Sri. C. Manjunath	Director
11	Sri. Iqbal Ali Khan	Director

### 3. Board Sub-Committees

The Sub-Committees of the Board were constituted to give more focused attention on important issues.

#### 1. Central Purchases Committee

Central Purchases Committee was formed to consider all cases of purchases whether for Projects or award of Station/Line works or any other works and all matters relating to such purchases which are beyond the powers delegated to the Chief Engineers, Electy.

The composition of the Central Purchases Committee during the year 2005-06 is as follows:

1	Managing Director, BESCOM	Chairman
2	Director (Technical), BESCOM	Member
3	Sri. Lokraj, Director, BESCOM	Member

During 2005-06 a total number of five CPC meetings took place as follows.

SI.No.	Meeting No.	Held on
1	19th	26th June 2005
2	20th	28th September 2005
3	21st	9th December 2005
4	22nd	22nd December 2005
5	23rd	21st February 2006

#### 2. Borrowings Sub Committee

The Borrowing Sub-Committee was constituted to borrow long term loans from Banks/Financial Institutions on behalf of the Board from time to time. The sub-committee consist of the following members:

- (a) Managing Director, BESCOM
- (b) Director (Technical), BESCOM
- (c) Director(Finance), KPTCL

#### 3. Audit Committee

An Audit Committee was formed on 21<sup>st</sup> April 2005 in accordance with the provisions of the Companies Act. During the year under report three meetings of the Audit Committee were held as follows.

SI.No.	Meeting No.	Held on
1	01st Meeting	20th June 2005
2	02nd Meeting	09th September 2005
3	03rd Meeting	10th January 2006



The Audit Committee has adequate powers and Terms of Reference to play an effective role as mentioned in Companies Act which includes :

1. Discussions with the Auditors periodically about internal control system and the scope of audit including observations of the auditors.
2. Review of the half-yearly and Annual Financial statements before submission to the Board.
3. Ensure compliance of internal control systems.
4. Investigation into any of the matters as may be referred to by the Board.
5. Financial and Risk Management Policies and Fraud and Fraudulent Risks
6. Any other matters as may be referred to by the Board.

Meetings are scheduled well in advance. The Audit Committee considers and recommends the Financial results to the Board. The Statutory Auditors are invited to attend the meeting. The committee also invites the Chief General Manager(F&C) and Controller(RTA) to be present at the meeting. The composition of the Audit Committee as on 31<sup>st</sup> March 2006 is as follows:

1. Director (Finance)	:	Chairman
2. Sri. M. Lokaraj	:	Member
3. Sri. Iqbal Ali Khan	:	Member

## S. SHORT-TERM PLANS:(1-2 YEARS) :

### I. **Technology initiatives**

- A. Rural Load Management Systems (RLMS)-24 hours power supply in rural areas:** To make 24 hours power supply to rural areas a reality, RLMS has been specially designed to balance the load between phases and places. It has been effectively made use of in HESCOM .
- B. Use of state of art technology distribution transformers:** Transformer is the heart of a distribution system. Transformers manufactured using latest technology like aluminum core etc would be used for all future expansion of the network and also wherever necessary the existing ones will also be replaced.
- C. Feeder Net Work Analysis System:** A software which analyse the 11 kv feeders in the system would be implemented at all 33 / 11 k V stations to understand the efficiency of the network

### II. **Distribution network improvements**

- A. Reconductoring of old lines, use of appropriate quality conductors;** At many places the distribution network has the age old conductors which have lost their efficient conducting capacity. These would be identified and replaced immediately with new and appropriate quality conductors.
- B. Optimal load on transformers-** Load on transformers should neither be more nor low. In either of the case, loss would occur. Therefore overloaded and under loaded transformers would be identified and appropriate action taken, so that each distribution transformer would have optimal load.

- C. Construction of Stations at identified load centers-** A thorough analysis of load centers in each (division) SBU would be taken up and augmentation or new station 33 / 11 kV would be done on priority basis.
- D. Rural House Hold Electrification:** All Rural House holds in the State will be provided with electricity by 2012 in line with the Gol policy.

### III. Commercial Loss reduction programme

- A. Metering of all DTCs and all installations :** In the first phase, say in the next 8-12 months all DTCs would be metered. Unmetered category consumers would be taken into confidence with the assistance of GoK and the Regulator and then all installations would be metered.
- B. High quality electronic energy meters to all category of consumers including lower segment consumers:** While metering all installations it is also proposed to meter low consuming category installations with high quality electronic meters for measuring the sales accurately. As the numbers in these category are more, even small losses may turn out to be quite large in total.
- C. Intensive Energy Audit at DTC level :** in all sub-divisions by external agencies. Real-time data acquisition at Sub-station, feeder, DTC levels.
- D. Meter reading –Real time remote reading :** Reduces human errors , eliminates unethical practices, online surveillance of installations is possible at any instant and therefore commercial losses get reduced to a great extent.
- E. Thorough census of IP set and BJ/KJ installations :** It is very much essential to know the exact number of genuine IP sets functioning in the jurisdiction of the supply companies as this has a great impact on a) power procurement plan b) revenue c) subsidy requirement. The same is true with BJ/KJ beneficiaries also.

### IV. IT initiatives: Use of IT tools in Distribution system

In distribution system IT can be effectively used for planning the systems, efficiency improvement, monitoring systems and facility management. Customer service can be enhanced with the use of customer management systems and customer information systems. To implement IT effectively a clear IT strategy would be developed and reviewed periodically. The following infrastructure, operational systems, and tools will be used for enhancing efficiency in all the areas of distribution function.

- A.** Wide area network (WAN) – connectivity among all units of the Company for data exchange, information exchange and effective communication.
- B.** Central Data Base connected to all units of the company to access required data at any time.
- C.** Data warehouse at corporate level and data mining facilities to enhance decision making.
- D.** GIS- Geographical Information System
- E.** Office Automation - All business transaction through computers to reduce errors and eliminate unethical practices.

#### V. Managerial and Administrative measures

- A. **Each division is viewed as SBU (Strategic Business Unit):** A strategic business unit is almost a replica of the larger business unit viz the company and it has to function independently as a supply company. This helps to analyse the profit making and non profit making units and to revive them with suitable investments or any other support. This concept would be extended to sub-division level in a phased manner.
- B. **Outsourcing of certain key activities:** Certain key activities where, in house expertise is absent or for ethical reasons, outsourcing would be done.
- C. **Franchisee Arrangements:** Franchisee arrangements for effective management of rural distribution system in line with Electricity Act 2003 would be considered and implemented.
- D. **Online registration of consumer applications-** As a measure to improve customer service and reduce processing time and to eliminate human intervention, consumer will be provided with online facilities to register their power supply request applications.
- E. **Online tendering and bidding processes-** To bring in transparency and accountability together with reduction in time for finalizing tenders, all major tenders would be subject to automation and on line processing.
- F. **Implementation of Performance Management Systems Transformer Management system, Inventory Management etc-** These various IT enabled management systems would be installed to bring in efficiency and effectiveness in day to day operations and to achieve the goals
- G. **Use of HRMS-** A popular software providing complete HR solution will be installed to take care of pay roll, salary accounting, HR planning etc., HR Development etc.,. This will be custom made to suit the needs of the power sector.
- H. **Use of Safety Gadgets:** Safety of employees as well the consumers will be given utmost importance, to make the operations accident free and to achieve the objective ensuring total safety to life and property in the Society. Consumers will be educated to understand the safe way of interacting with the electrical system. Employees have already been given training on safety aspects which would be further intensified and all of them would be provided with safety kits. They will not be allowed to work without this safety equipment.

#### VI. Customer care measures

- A. **Introduction of pre-paid meters-** A new concept in energy sales which will be very useful for the consumer as well to the company. This will be introduced in a phased manner starting from one category of selected consumers and then extending it to all those who wish to opt for it.
- B. **Customer information terminal** in each sub-division providing complete information

- C. **Website** to provide all the required information on all the business transactions of the Company in detail.
- D. **Customer service centers** in all the localities and major shopping centers.
- E. **Any time and any where payment** options thorough embedded systems.

#### T. LONG TERM PLANS – DISTRIBUTION ( 5-10 YEARS) :

- A. **Electricity for all by the year 2012:** This being a GoI policy and also a part of GoK detailed policy for power sector, will be achieved through committed time bound action plan.
- B. **100% Distribution net work automation-** To bring in efficiency and reduce corruption at all levels, IT tools would be used extensively and total automation is expected to happen by 2010.
- C. Real-time Remote AMR and online energy audit
- D. **24 hours uninterrupted supply to all consumers, regulated power to IP consumers:** The main thrust is to provide uninterrupted power supply to all those consumers of the State who pay for the cost of the power they use. However, the small and medium IP set consumers who in reality are not able to pay for the power they use will be given sufficient power supply but in a regulated environment.
- E. **Financial Turn around by 2012 and no support from Government:** ESCOMs aims to achieve financial self-sufficiency by 2012 and does not want to depend much on the Government for its revenue requirements. However, to fulfill social obligations it may have to depend on Government support, but to a limited extent only. The companies would make efforts to go in public domain by issuing IPOs and markets would decide the worth of these utilities. This would bring about efficiency and also help mobilize resources from the market.
- F. **Distribution and retail supply to be viewed as two distinct activities:** To promote efficiency and competition in the supply business, the entire function would be viewed as two distinct operations, viz wires business and retail supply business. This would go a long way in creating market forces that determine the demand and supply scenario. Customer will have the privilege of choosing the supplier of his choice.
- G. **Sub-division to be a SBU-** The ultimate goal is to treat a sub-division as a SBU to know the profitability of that particular area and also to find out the ways to make the SBU profitable.
- H. **Demand Side Management:** This involves educating various classes of consumers about the gadgets that help in efficient use of electricity. This kind of measures will be extended to all the ESCOMs besides implementing projects like HVDS for lengthy LT line systems.
- I. Electrification of all villages by 2007 in line with GoI Policy.

## AUDITORS

M/s Muruli & Venkat is the Statutory Auditors of BESCOM for the year 2005-06.

## PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

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

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 the Directors 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 view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the 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 safeguarding 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, Govt. of India, Karnataka Power Transmission Corporation Limited, other ESCOMs, KERC, CERC, State Bank of India, Canara Bank, Corporation Bank, Syndicate Bank, State Bank of Mysore, Vijaya Bank, Bank of India, Power Finance Corporation Ltd., Rural Electrification Corporation Ltd., Ministry of Company Affairs, Registrar of Companies and its Consumers for their Co-operation and active support to BESCOM 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 and co-operation extended by the Union / Associations.

For & on behalf of the Board of Directors  
**CHAIRMAN**

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to Part-IV of Schedule-VI of the Companies Act 1956)

<b>I. Registration Details</b>			
Registration No.	CIN - U04010KA2002PLC030438	State code	08
Balance Sheet Date	31-03-2006		
<b>II. Capital Raised during the year (Amount in Rs.Thousands)</b>			
Public Issue	nil	Right Issue	nil
Bonds Issue	nil	Private Placement	nil
<b>III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)</b>			
<b>Total liabilities</b>	2,42,77,964	<b>Total Assets</b>	2,42,77,964
<b>Source of Funds</b>			
Paid up Capital	20,59,500	Reserves & Surplus	51,16,741
Share Deposit	47,654	Unsecured loans	7,61,255
ShareDeposit Adj A/c	-		
Service line & security deposits	1,19,64,153		
Secured loans	43,28,661		
<b>Application of Funds</b>			
Net Fixed Assets	1,22,65,683	Capital works in progress	5,34,277
Net Current Assets	1,14,78,004		
Accumulated losses	-		
<b>IV. Performance of Company(Amount in Rs Thousands)</b>			
Turn Over	4,33,37,897	Total Expenditure	4,28,24,615
Profit Before Tax	6,83,982	Profit After Tax	5,13,282
Earnings per Share in Rs.	--	Dividend	-
<b>V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)</b>			
Item Code No.(ITC Code)	:	-	
Product Description	:	Electricity distribution	

Sd/-  
(V.G. Pandit)  
Chief General Manager (F&C)

Sd/-  
(Sridhara S.K.)  
Director (Technical)

Sd/-  
(Gonal Bhimappa)  
Managing Director

As per our Report annexed  
Sd/-

(K.Venkatesh)  
Partner

for & on behalf of MURALI & VENKAT  
Chartered Accountants

Place : Bangalore  
Date : 18<sup>th</sup> October 2006

**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  
31<sup>ST</sup> MARCH 2006.**

“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 I of the Auditors’ Report to the Shareholders and Note No.29 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 2006”.

Bangalore  
DATED : 27th October 2006

Sd/-  
**(USHA SANKAR)**  
PR. ACCOUNTANT GENERAL  
(CIVIL & COMMERCIAL AUDIT)  
KARNATAKA, BANGALORE

## 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 2006 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date and submitted our Report dated 18<sup>th</sup> September 2006. Subsequently, the Accounts have undergone revision in the light of observations of the Controller & Auditor General of India. We have audited the attached Revised Balance Sheet of the Company as on 31.03.2006 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 (as amended according to the Amendment Order 2004), 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.

# Auditors' Report





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-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 31.03.2006, 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 Four 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 Net Worth of the Company.

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. Though a provision of 20% on the Scrapped and Faulty and Dismantled Assets disclosed under the Inventory is made 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.
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. Reserves and Surplus include Rs. 345,58,92,880/- (Current year receipts Rs.103,73,38,982 and Previous Year receipts 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.
11. 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.**

12. 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.
13. 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.
14. 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.
15. 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 for which, the Company has not made any provision.
16. 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.
17. The Company continues to account Financials of MRT Division without bifurcating the Assets, Liabilities, Revenue and Expenditure of KPTCL and BESCOM. 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, Liabilities and expenses will have a bearing on the Net worth/ Financials of the Company.
18. Cash & Bank Balances include the following for which no provision is made in the Books of Accounts:
  - a) An amount embezzled to the extent of Rs. 35.55 Lacs of Bangalore North Division.
  - b) An Amount of Rs. 52.69 Lacs of Non-Operative Account of Bank of Baroda in Bangalore North Division continued to be shown as balances though no such balance exist physically.

- c) An Amount of Rs. 95.35 Lacs of Non-Operative Account of Syndicate Bank in Bangalore North Division continued to be shown as balances though no such balance exist physically.
- d) An Amount of Rs. 0.33 Lacs of Non-Operative Account of Bank of Baroda in Bangalore Addl. North Division continued to be shown as balances though no such balance exist physically.
19. 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.4,34,16,668/-.
- b) On account of Other Transactions and adjustments between divisions Rs. 142,53,97,046.
- c) Cash found short pending investigation of Rs. 10.76 lacs is shown under recoverable from employees for a long time. Amount recoverable on account of materials pending recovery for a long time from employees/ex-employees is placed at Rs. 277.90 lacs.
- The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.
20. Current Liabilities include an amount of Rs. 8,01,042/- 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.
21. 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 Net Worth Account. The impact of the same is not ascertained pending reconciliation.
22. 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 in many Accounting Divisions 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.
23. 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 Net Worth Account.

24. 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.
25. 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.
26. 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.

27. 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.
28. 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.
29. 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 2006.
  - (ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.
  - (iii) In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date

**(K.VENKATESH)**

Partner

Membership Number. 28348

For & On behalf of

**MURALI & VENKAT**

Chartered Accountants

BANGALORE.

18<sup>th</sup> OCTOBER, 2006

## 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 and 19 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 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 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 Fund, Investor Education and Protection Fund, Income-tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess or any other applicable taxes, Duties or Levies applicable to the Company and its business, which have remained outstanding as at 31st March 2006, 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 31-03-2006.
10. According to information and explanation given to us, the Company does not have any Disputed dues of Sales Tax/ Service Tax/ Custom Duty/ Wealth tax/ Excise Duty/ Cess. **In respect of Income Tax, the Company has not deposited the disputed demand of Rs. 74,37,957/- for the Asst. Year 2003-04 and the matter lies with the Commissioner of Income Tax (Appeals).**
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 based on 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 has in place a continuous process of collecting the details of fraud on or by the company and the Action for recovery proceedings is also in place simultaneously. In many cases, however, we observe that the process of investigation and fixing the responsibility and also taking the necessary recovery/punitive action is taking a long time. We are unable to comment on the nature and the amount involved pending investigation by the Company.

Sd/-

**(K.VENKATESH)**

Partner

For & On behalf of

**MURALI & VENKAT**

Chartered Accountants

BANGALORE.

18<sup>th</sup> October, 2006.

## Addendum to Directors' Report for the year ended 31<sup>st</sup> March 2006

Replies offered on the observation/comments of the Statutory Auditors on the accounts of the Company for the year 2005-06 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-22 of Accounting for Taxes on Income.	Consequent to unbundling of the Transmission and Distribution activities and subsequent notification of the transfer scheme, BESCOM was incorporated on 30-04-2002 under the Companies Act, 1956 and the company commenced operation from 01-06-2002. 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.
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.	The process of getting titles of the assets transferred in favour of BESCOM is under progress.
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 31.03.2006, 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 31-05-03. <b>We observe that no steps are initiated to institute an Audit as per the Government Order for arriving at the Opening Balance for the past four years.</b> Any changes in the Opening Balances after the Audit or based on a thorough Due Diligence exercise being	In the letter No. EN 39 PSR 2006 dated 19-05-2006 the Government of Karnataka has reiterated that the G.O. dated 07-10-2004 issued is notified and published as final as such it is treated as audited.

SI. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		carried out at a later date either by KPTCL or any of the ESCOMs, may have bearing on Net Worth of the Company.	
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.	Since the assets are transferred under Transfer scheme, the Company has adopted the accounting system followed by erstwhile KEB and KPTCL 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	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
		<p>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.</p>	
7	2(f)(6)	<p>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.</p>	<p>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.</p>
8	2(f)(7)	<p>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. Though a provision of 20% on the scrapped and Faulty and Dismantled Assets disclosed under the inventory is made 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 20 to 25 years old. The value of inventory is to be arrived at after the</p>	<p>Estimation is made according to the views of technical experts and accordingly accounted.</p> <p>Efforts are being made to identify the value of scrap/dismantling assets. Effect on this would also be accounted on such identification.</p> <p>The Company is making efforts to constitute a committee to examine this in detail.</p> <p>On evaluation of inventories, proper treatment will be given.</p>

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		verification of the Technical Committee and the inventory, which does not command usefulness or is technologically obsolescent, is to be written off.	
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 has been 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)	Reserves and Surplus include <b>Rs. 345,58,92,880/-</b> (Current year receipts <b>Rs.103,73,38,982/-</b> and Previous year receipts <b>Rs. 147,19,34,898/-</b> ) 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	Practice followed earlier in KPTCL has been adopted. However, efforts would be made to comply with Accounting Standards in future.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		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	2(f)(11)	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 advice of KPTCL. <b>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.</b>	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, would be got confirmed and accounted at appropriate time.
13	2(f)(12)	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.	These are identified by FDP consultants and the same was transferred by Government at the time of notifying the transfer scheme.  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.  The issue would be examined in future.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
14	2(f)(13)	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.	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. In respect of receivables and payables 100% reconciliation has been completed with MESCOM, GESCOM and also 90% reconciliation has been completed with HESCOM. The reconciliation with KPTCL is under progress.
15	2(f)(14)	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.	The entire deposit items transferred under Transfer Scheme require item wise details. However, this has been accounted based on the opening balances transferred. Also efforts are being made to identify particulars for each item and required accounting treatment will be given at appropriate time on such findings.
16	2(f)(15)	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 for which, the Company has not made any provision.	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.
17	2(f)(16)	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.	Action may be initiated to obtain the rights of ownership by the Company in respect of software.
18	2(f)(17)	The Company continues to account Financials of MRT Division without bifurcating the Assets, Liabilities, Revenues and Expenditure of KPTCL and BESCOM. Attention is drawn to our	Factual Necessary action will be taken to bifurcate the assets and liabilities pertaining to distribution system. The



Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		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, liabilities and expenses will have a bearing on the Net Worth/Financials of the Company.	KPTCL portion of the expenditure will be credited to profit and loss account, after obtaining the details of KPTCL expenditure booked upto 31-03-2006 from MRT division.
19	2(f)(18)	<p>Cash and Bank Balances include the following for which no provision is made in the Books of Accounts :</p> <p>a. An amount embezzled to the extent of Rs. 35.55 lacs of Bangalore North Division.</p> <p>b. An amount of Rs. 52.69 Lacs of Non-Operative Account of Bank of Baroda in Bangalore North Division continued to be shown as balances though no such balance exist physically.</p> <p>c. An Amount of Rs. 95.35 Lacs of Non-Operative Account of Syndicate Bank in Bangalore North Division continued to be shown as balances though no such balance exist physically.</p> <p>d. An Amount of Rs. 0.33 Lacs of Non-Operative Account of Bank of Baroda in Bangalore Addl. North Division continued to be shown as balances though no such balance exist physically.</p>	<p>Factual</p> <p>Appropriate action will be taken in FY 07 duly obtaining necessary details from the concerned divisions.</p>
20	2(f)(19)	<p>Other Current Assets include unreconciled Inter Unit Accounts (IUAs)/ relating to</p> <p>a) CWIP, Fixed Assets, Deprecation Provision, Obsolete and Released Assets to an extent of Rs.4,34,16,668/-.</p> <p>b) On account of Other Transactions and adjustments between divisions Rs. 142,53,97,046/-.</p> <p>c) Cash found short pending investigation of Rs. 10.76 lacs is shown under recoverable from employees for a long time. Amount recoverable</p>	Existing practice as in KPTCL continued and adopted. However, efforts would be taken to give proper Accounting treatment at appropriate time.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		on account of materials pending recovery for a long time from employees/ex-employees is placed at Rs. 277.90 lacs. The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.	
21	2(f)(20)	Current Liabilities include an amount of Rs. 8,01,042/- 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.	After reconciliation with reference to remittance made by Units to Head office/entries in pass sheet, proper accounting treatment will be given at appropriate time.
22	2(f)(21)	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 Net Worth Account. The impact of the same is not ascertained pending reconciliation.	The reconciliation of receivables in respect of MESCOM and GESCOM has been completed cent percent. 90% of reconciliation with HESCOM has been completed. In respect of KPTCL, reconciliation is under progress.
23	2(f)(22)	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 in many Accounting Divisions 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.	GoK ledgers are maintained at Sub-Divisional level.  Instructions will be issued to such of the divisions who have not maintained Government of Karnataka ledger as per BRP II Government order.  Wrong accounting of BRP II adjustments in DCB has been rectified.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
24	2(f)(23)	Amount payable to KPTCL and other ESCOMS are also subject to reconciliation and include certain amount 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 Net Worth Account.	The reconciliation of payables in respect of MESCOM, GESCOM, HESCOM has been reconciled cent percent. Only in respect of KPTCL, reconciliation is under progress.
25	2(f)(24)	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 FY 07.
26	2(f)(25)	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.
27	2(f)(26)	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.	Factual.  As all the employees of the Company are treated as employees of KPTCL deputed to the Company, 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 31.03.2005, the FB liability has been accounted on the basis of previous actuarial valuation.

Sl. No.	SA No.	Observations of Statutory Auditors	Management's Reply
		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.	
28	2(f)(27)	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 are required from KPTCL to assess exact deferred tax liability/asset. However, the issue would be reviewed to comply with Accounting Standards in future.
29	2(f)(28)	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.
30	2(f)(29)	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 2006**

Amount in Rupees

Sl. No.	Particulars	Sch. No.	Current Year 2005-06	Previous Year 2004-05
<b>I</b>	<b>SOURCES OF FUNDS :-</b>			
1	<b>Share holders' Funds</b>			
	Share Capital	1	205,95,00,000	205,95,00,000
	Share Deposit	1A	4,76,53,783	3,07,72,172
	Share Deposit Adjustment account	1B	-	(71,44,378)
	Reserves and Surplus	2	511,67,41,184	356,61,20,003
			<b>722,38,94,967</b>	<b>564,92,47,797</b>
2	<b>Loans Funds</b>			
	Secured Loans	3	432,86,61,152	390,26,37,440
	Unsecured Loans	4	76,12,55,152	77,31,41,167
			<b>508,99,16,304</b>	<b>467,57,78,607</b>
3	<b>Other Funds</b>			
	Service Line and Security Deposits	5	1196,41,52,754	1000,48,67,488
	<b>TOTAL - I</b>		<b>2427,79,64,025</b>	<b>2032,98,93,892</b>
<b>II</b>	<b>APPLICATION OF FUNDS :-</b>			
1	<b>Fixed Assets</b>			
	(a) Gross Block	6	2015,56,02,739	1585,78,01,510
	(b) Less: Depreciation		788,99,19,408	689,46,68,724
	(c) Net Block		<b>1226,56,83,331</b>	<b>896,31,32,786</b>
	(d) Capital Work in Progress	7	53,42,76,460	158,10,29,533
			<b>1279,99,59,791</b>	<b>1054,41,62,319</b>
2	<b>Current Assets, Loans and Advances</b>			
	(a) Inventories, Stores & Spares	8	75,40,36,699	52,33,05,410
	(b) Sundry Debtors	9	1858,64,74,003	1555,73,53,907
	(c) Cash and Bank Balances	10	200,86,11,604	54,80,49,455
	(d) Loans, Advances and Deposits	11	143,99,84,858	215,40,27,452
	(e) Other Current Assets	12	162,09,62,342	101,98,40,336
	<b>Total - 2</b>		<b>2441,00,69,507</b>	<b>1980,25,76,560</b>
	<b>Less :</b>			
	Current Liabilities & Provisions	13	1293,20,65,273	1001,68,44,987
	Net Current Assets		<b>1147,80,04,234</b>	<b>978,57,31,573</b>
	Significant Accounting Policies and Notes on Accounts	24		
	<b>TOTAL - II</b>		<b>2427,79,64,025</b>	<b>2032,98,93,892</b>

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

 Sd/-  
**(V.G. Pandit)**  
 Chief General Manager (F&C)

 Sd/-  
**(Sridhara S.K.)**  
 Director (Technical)

 Sd/-  
**(Gonal Bhimappa)**  
 Managing Director

As per our Report annexed

 Sd/-  
**(K.Venkatesh)**  
 Partner

 for & on behalf of MURALI & VENKAT  
 Chartered Accountants

 Place : Bangalore  
 Date : 18<sup>th</sup> October 2006

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

Amount in Rupees

Sl. No.	Particulars	Sch. No.	Current Year 2005-06		Previous Year 2004-05	
<b>I</b>	<b>INCOME</b>					
1	Revenue from sale of power	14	4282,34,82,792		3643,73,59,781	
2	Rural Electrification Subsidy - GoK		-		-	
3	Other Income	15	51,44,14,574		11,98,00,496	
	<b>TOTAL</b>			<b>4333,78,97,366</b>		<b>3655,71,60,277</b>
<b>II</b>	<b>EXPENDITURE</b>					
1	Purchase of power	16	3359,61,78,108		3041,37,71,469	
2	Repairs and Maintenance	17	39,71,26,605		32,15,54,515	
3	Employee Costs	18	286,57,45,574		249,40,25,819	
4	Administrative and Other Expenses	19	55,46,36,395		46,32,79,079	
5	Other Charges (Debits)	20	243,19,79,116		50,38,68,290	
	<b>TOTAL</b>			<b>3984,56,65,798</b>		<b>3419,64,99,172</b>
<b>III</b>	<b>Profit before Depreciation and Interest</b>			<b>349,22,31,568</b>		<b>236,06,61,105</b>
	Depreciation (Net)	21	110,88,09,234		99,04,18,320	
<b>IV</b>	<b>Profit / (Loss) before Interest and Taxes</b>			<b>238,34,22,334</b>		<b>137,02,42,785</b>
	Interest and other Charges	22	103,13,81,670		24,88,99,922	
	<b>Profit / (Loss) before prior period charges or credits</b>			<b>135,20,40,664</b>		<b>112,13,42,863</b>
<b>V</b>	<b>Prior period credits(+)/ charges(-)</b>	23	(66,80,58,466)		(23,67,25,450)	
<b>VI</b>	<b>Profit before Reserve &amp; Taxation</b>			<b>68,39,82,198</b>		<b>88,46,17,413</b>
<b>VII</b>	<b>Profit before Taxation</b>			<b>68,39,82,198</b>		<b>88,46,17,413</b>
	Provision for Income Tax		6,20,00,000		7,59,10,000	
	Provision for Fringe Benefit Tax		10,87,00,000			
<b>VIII</b>	<b>Net Profit after Taxation</b>			<b>51,32,82,198</b>		<b>80,87,07,413</b>
<b>IX</b>	<b>Add: Balance of Surplus brought over from previous year</b>		<b>111,55,91,749</b>			<b>30,68,84,336</b>
	<b>Balance carried to Balance Sheet</b>			<b>162,88,73,947</b>		<b>111,55,91,749</b>
<b>X</b>	<b>Appropriations</b>					
	Balance surplus carried to Balance Sheet			<b>162,88,73,947</b>		<b>111,55,91,749</b>
<b>XI</b>	Significant Accounting Policies and Notes on Accounts	24				

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

Sd/-  
(V.G. Pandit)  
Chief General Manager (F&C)

Sd/-  
(Sridhara S.K.)  
Director (Technical)

Sd/-  
(Gonal Bhimappa)  
Managing Director

As per our Report annexed  
Sd/-

(K. Venkatesh)  
Partner

for & on behalf of MURALI & VENKAT  
Chartered Accountants

Place : Bangalore  
Date : 18<sup>th</sup> October 2006

SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

**SCHEDULE : 01 SHARE CAPITAL**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	<b>Authorised Capital</b> 25,00,00,000 Equity shares of Rs. 10/- each		<b>250,00,00,000</b>	250,00,00,000
2	<b>Issued, Subscribed and Paid up</b>			
a	Issued Capital 20,59,50,000 Equity shares of Rs.10/- each		<b>205,95,00,000</b>	205,95,00,000
b	Subscribed Capital 20,59,50,000 Equity shares of Rs.10/- each		<b>205,95,00,000</b>	205,95,00,000
c	Paid Up Capital 20,59,50,000 Equity shares of Rs.10/- each Fully paid up	52.301	<b>205,95,00,000</b>	205,95,00,000
<b>TOTAL</b>			<b>205,95,00,000</b>	205,95,00,000

**SCHEDULE : 1A SHARE DEPOSIT**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Share Deposit (as per GoK Notification )	52.302	<b>1,51,353</b>	1,51,353
2	Net worth	52.303	<b>4,75,02,430</b>	3,06,20,819
<b>TOTAL</b>			<b>4,76,53,783</b>	3,07,72,172

**SCHEDULE : 1B SHARE DEPOSIT ADJUSTMENT ACCOUNT**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Opening Balance	52.402	<b>(71,44,378)</b>	(4,92,81,953)
	Less : current year adjustment (after obtaining GOK approval)		<b>71,44,378</b>	4,21,37,575
<b>TOTAL</b>			-	(71,44,378)

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 02 RESERVES AND SURPLUS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Contributions, grants and subsidies towards cost of Capital assets	55.100	248,68,36,710	162,17,73,628
2	Subsidies received from REC towards RGGVY scheme	55.210	14,74,00,900	-
3	Grants towards cost of Capital Assets received from GOI	55.3, 55.303	72,16,55,270	79,67,80,270
4	Special grants towards Capital Works under APDP	55.500	10,00,00,000	-
5	Reserve for Contingencies	56.640	3,19,74,354	3,19,74,354
6	Surplus in Profit and Loss Account		162,88,73,950	111,55,91,751
<b>TOTAL</b>			<b>511,67,41,184</b>	<b>356,61,20,003</b>



## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 03 SECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Loans from Rural Electrification Corporation Limited, New Delhi.	53.30+ 53.312	<b>51,42,57,366</b>	82,76,90,563
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, equipmetns, 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. )	53.337	<b>159,17,53,636</b>	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 carriedout on monthly basis)	53.5007	<b>21,45,56,726</b>	26,81,95,908
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 money, 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	53.500	<b>147,89,44,049</b>	141,65,93,733

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 03 SECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
	<p>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 &amp; 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>			
c)	<p>Oriental Bank of Commerce:</p> <p>Secured by way of hypothecation of all existing &amp; unencumbered present &amp; future goods, book debts and all other movable assets of the Borrower including documents of the title to the goods, outstanding money, 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 whrerever 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 &amp; accepted by the Bank as having priority over its own charge) as security.</p>	53.500	47,91,49,375	49,99,99,375

SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

SCHEDULE : 03 SECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
d)	<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> <p>Corporation Bank</p> <p>Secured by way of hypothecation of all existing &amp; unencumbered present &amp; future goods, book debts and all other movable assets of the Borrower including documents of the title to the goods, outstanding money, 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 &amp; 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>		5,00,00,000	
<b>TOTAL</b>			<b>432,86,61,152</b>	<b>390,26,37,440</b>

Note : The loan accounts of REC, UCO Bank are as per confirmation received from KPTCL.

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 04 UNSECURED LOANS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Loans from Government - PMGY  (The repayments to be made in 20 annual equal instalments together with interest at the rate of 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.)	53.3077	1,70,53,131	1,30,78,131
2	Loans from Government - APDRP  (The repayments to be made in 20 annual equal instalments together with interest at the rate of 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.)	53.3317	66,29,46,530	68,16,46,530
3	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 )	53.960	5,97,93,291	7,84,16,506
4	Loan from Government (through REC) - RGGVY  (The Total repayment period will be 15 years inclusive of 5 years moratorium period together with interest @ 5% with quarterly interest)	53.3357	2,14,62,200	-
<b>TOTAL</b>			<b>76,12,55,152</b>	<b>77,31,41,167</b>

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

SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

**SCHEDULE : 05 SERVICE LINE AND SECURITY DEPOSITS**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	i) Deposit Contribution Work	47.301 to 47.303,47.305, 47.307 to 47.317	<b>49,83,95,504</b>	54,67,59,631
	ii) Deposit Works	47.306	<b>1,62,26,339</b>	1,25,18,977
2	Other Deposits from Consumers	47.6	<b>52,00,07,454</b>	42,61,62,985
3	Security Deposit from consumers:	48.1+48.2 +48.3	<b>1092,95,23,456</b>	901,94,25,895
<b>TOTAL</b>			<b>1196,41,52,754</b>	1000,48,67,488

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 06 FIXED ASSETS

Amount in Rupees

Asset Group	Gross Block					Depreciation					Net Block	
	As at 1-4-2005	Additions/ Adjustments	Deductions/ Adjustments	As at 31-3-2006	As at 1-4-2005	Additions/ Adjustments	Deductions/ Adjustments	As at 31-3-2006	As at 31-3-2005	As at 31-3-2006		
Land & Rights	9,25,18,950	3,65,780	100	9,28,84,630	-	-	-	-	9,25,18,950	9,28,84,630		
Buildings	22,70,36,335	1,83,81,776	9,05,591	24,45,12,520	6,51,40,303	1,16,01,581	45,59,886	7,21,81,998	16,18,96,032	17,23,30,522		
Civil Works (Pipeline, Sewage, Drainage & Water supply)	1,93,36,870	10,87,131	-	2,04,24,001	30,52,634	6,26,340	17,078	36,61,896	1,62,84,236	1,67,62,105		
Other Civil Works	1,30,22,705	10,424	87,46,524	42,86,605	7,47,716	1,54,547	1,097	9,01,166	1,22,74,989	33,85,439		
Plant & Machinery	350,52,79,659	89,10,02,686	37,55,92,178	402,06,90,167	125,69,83,608	32,19,01,016	12,97,63,407	144,91,21,217	224,82,96,051	257,15,68,950		
Lines Cable Networks	1194,25,00,557	392,77,29,348	16,21,52,173	1560,80,77,732	545,68,94,509	92,80,09,183	13,67,90,164	624,81,13,528	638,56,06,048	935,99,64,204		
Vehicles	8,55,13,192	80,35,762	47,04,137	8,88,44,817	7,65,01,699	29,95,917	48,49,627	7,46,47,989	90,11,493	1,41,96,828		
Furniture & Fixtures	4,89,42,501	43,33,141	6,13,843	5,26,61,799	2,21,08,965	53,21,933	5,42,498	2,68,88,400	2,68,33,536	2,57,73,399		
Office Equipments	2,36,50,741	25,73,713	30,03,986	2,32,20,468	1,32,39,290	15,67,146	4,03,222	1,44,03,214	1,04,11,451	88,17,254		
<b>Current Year Total</b>	<b>1585,78,01,510</b>	<b>485,35,19,760</b>	<b>55,57,18,531</b>	<b>2015,56,02,739</b>	<b>689,46,68,724</b>	<b>127,21,77,662</b>	<b>27,69,26,978</b>	<b>788,99,19,408</b>	<b>896,31,32,786</b>	<b>1226,56,83,331</b>		
<b>Previous Year Total</b>	<b>1361,71,23,652</b>	<b>279,11,32,692</b>	<b>55,04,54,835</b>	<b>1585,78,01,510</b>	<b>603,13,09,316</b>	<b>124,73,06,462</b>	<b>38,39,47,054</b>	<b>689,46,68,724</b>	<b>758,58,14,336</b>	<b>896,31,32,786</b>		

NOTE:

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

SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

**SCHEDULE : 07 CAPITAL WORKS IN PROGRESS**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Capital Work in Progress	14	<b>34,07,55,992</b>	73,35,25,166
	Interest during implementation period		<b>12,40,19,733</b>	10,48,64,661
2	Contracts in Progress	15.12	<b>32,80,850</b>	48,53,610
3	Provision for works	15.500	<b>6,62,19,885</b>	73,77,86,096
<b>TOTAL</b>			<b>53,42,76,460</b>	158,10,29,533

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 8 INVENTORIES, STORES AND SPARES

Amount in Rupees

SI. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	<b>Assets not in use (valued at WDV)</b>			
	a) Value of scraped assets		8,59,90,995	3,94,09,652
	Less : Provision estimated/ considered as not realisable		1,71,98,199	78,81,931
		16.1	6,87,92,796	3,15,27,721
	b) Value of Faulty and Dismantled assets for reuse		7,52,18,427	17,71,02,913
	Less : Provision estimated/ considered as not realisable		1,57,23,109	3,54,20,583
		16.2	5,94,95,318	14,16,82,330
	<b>Total-1</b>		12,82,88,114	17,32,10,051
2	<b>Materials Stock</b>			
	(Stocks are valued as per the Accounting Policy followed by the company and certified by the Management)			
	a) Material Stock Account	31,22,610 <del>22,450,22,810</del> 22,820	59,10,52,843	29,84,30,622
	b) Material imprest Account	22,641	81,20,421	92,86,316
	c) Material pending inspection	22,660	-	1,39,49,554
	d) Other Material Account	22,700	2,65,75,321	2,84,28,867
	<b>Total-2</b>		62,57,48,585	35,00,95,359
	<b>TOTAL 1 + 2</b>		75,40,36,699	52,33,05,410



## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 9 SUNDRY DEBTORS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	<b>a) Sundry Debtors-Supply of Power</b>			
	1. Sundry Debtors for sale of Power-LT	23.1	1460,04,48,061	941,13,95,496
	2. Unbilled Revenue - LT	23.4	82,53,36,382	80,33,56,034
	3. Sundry Debtors for sale of Power-HT	23.2	66,33,25,109	45,25,42,544
	4. Unbilled Revenue - HT	23.4	179,53,11,691	152,31,06,125
	<b>TOTAL (a)</b>		<b>1788,44,21,243</b>	<b>1219,04,00,199</b>
	<b>b) Sundry Debtors - miscellaneous receipts from consumers</b>	23.7	<b>24,103</b>	<b>34,45,55,241</b>
	<b>Sub total - (1)</b>		<b>1788,44,45,346</b>	<b>1253,49,55,440</b>
2	<b>Less :</b>			
	a) Revenue Suspense Account	47.607,23.5	12,83,67,236	8,18,46,310
	b) Provision for withdrawal of Revenue demand	23.8	58,47,98,361	60,14,99,980
	c) Provision for Doubtful Dues from consumers	23.9	550,13,22,605	317,97,59,147
	<b>Sub total - (2)</b>		<b>621,44,88,202</b>	<b>386,31,05,437</b>
3	<b>Net Receivables against Supply of Power</b>		<b>11,66,99,57,144</b>	<b>867,18,50,003</b>
4	<b>Sundry Receivables from</b>			
	KPTCL	28.826,831		
		836,841	180,28,93,801	186,16,78,537
	MESCOM	28.828,833,		
		838	5,77,46,650	7,25,29,140
	GESCOM	28.830,835,		
		840	2,55,79,993	2,99,24,621
	HESCOM	28.829,834,		
		839	4,81,07,657	4,81,04,616
	Others	28.1	9,37,42,282	6,54,24,203
	<b>Sub total - (4)</b>		<b>202,80,70,383</b>	<b>207,76,61,117</b>
5	a) Receivable from GoK towards IP set dues waived off	28.1	423,84,87,196	423,84,87,196
6	Receivable from GoK towards BJ dues waived off	28.1	53,71,75,896	53,71,75,896
7	Sundry Debtors for Electricity Tax	23.3	11,27,83,384	3,21,79,696
	<b>TOTAL 3+4+5+6+7</b>		<b>1858,64,74,003</b>	<b>1555,73,53,907</b>

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.558,20,09,035/-.

Rs.441,49,19,567/- is less than 6 months old out of the total receivables.

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 10 CASH AND BANK BALANCES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06		Previous Year 2004-05
1	Cash on Hand	24.110+ 24.210		<b>10,19,98,100</b>	7,90,47,573
2	Cash at Bank - Operative Accounts with scheduled banks	24.4	<b>103,88,13,682</b>		19,18,62,939
3	Cash at Bank - Non-Operative Accounts with scheduled banks	24.3	<b>19,68,72,322</b>		16,39,01,230
				<b>123,56,86,004</b>	35,57,64,169
4	Fixed Deposits with Banks	20.2	<b>62,18,11,396</b>		5,21,396
5	Margin money deposit under Bank Guarantee with BoB	28.935	<b>68,17,000</b>		68,17,000
6	Interest Accrued but not due on deposits	28.2	<b>32,37,506</b>		4,24,982
				<b>63,18,65,902</b>	77,63,378
7	Stamps on Hand	24.120, 24.130, 24.140		<b>74,202</b>	1,62,252
8	Remittance to Head Office - Transit Account	24.5	<b>27,67,337</b>		14,47,98,754
9	Transfers from Head Office In Transit Account	24.6	<b>3,62,20,060</b>		(3,94,86,671)
				<b>3,89,87,397</b>	10,53,12,083
<b>TOTAL</b>				<b>200,86,11,604</b>	54,80,49,455

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 11 LOANS, ADVANCES AND DEPOSITS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	<b>LOANS AND ADVANCES</b> (Unsecured, considered good recoverable in cash or in kind for the value to be received )			
	a) Advances to Suppliers	25.1 to 25.5, 27.106	<b>3,83,78,902</b>	40,04,88,828
	b) Advances to Contractors	26.6	<b>66,31,82,155</b>	69,65,71,813
	c) Loans and Advances to Staff - Interest free	27.2	<b>3,51,92,295</b>	2,89,74,695
	d) Loans and Advances - Others	27.8	<b>63,00,00,000</b>	
	<b>Sub total (a+b+c)</b>		<b>136,67,53,352</b>	1,12,60,35,336
2	<b>DEPOSITS</b>			
	a) Security Deposits received in Cash from contractors.	28.9	<b>2,51,21,360</b>	2,52,07,565
	b) Guarantees received from contractors	28.93	<b>4,81,10,146</b>	1,00,27,84,551
	<b>TOTAL</b>		<b>143,99,84,858</b>	215,40,27,452

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 12 OTHER CURRENT ASSETS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06		Previous Year 2004-05
<b>A</b>	<b>Other Current Assets</b>				
1	Amounts Recoverable from Employees	28.4+36	27,29,17,420		2,74,57,263
2	R.E Subsidy receivable from Government of Karnataka	28.6	46,95,26,276		46,95,25,276
3	Power Loom subsidy receivable from Government	28.122	5,05,53,914		-
4	Other Receivables-KPTCL & others	28.8	(17,77,49,512)		57,57,252
5	Fringe Benefit Tax paid	28.819	9,99,55,661		-
6	Income Tax including Advance Tax	28.821	13,39,81,413		1,97,57,678
7	Tax deducted at source - received	28.850	16,65,037		-
8	Loan amount receivable from KPTCL	28.842	26,23,97,806		26,23,97,806
9	Other Claims Receivables	28.72, 28.74	95,52,597		67,50,244
10	Receivables from Pension / Gratuity Trust	28.846	34,42,32,463		8,19,33,687
11	Cash Receivables from KPTCL/ESCOMS	28.9	11,00,50,566		3,01,91,359
12	Receivable from GOK refund of meterequipment security deposit	28.71	4,62,033		2,17,822
	<b>Sub-total A</b>			<b>157,75,45,674</b>	<b>90,39,88,386</b>
<b>B</b>	<b>Inter Unit Accounts :</b>				
1	IUA - CWIP, Fixed Assets, depreciation provision / obsolete and released assets	32	4,34,16,668		11,58,51,950
2	IUA - Other transactions / adjustments				-
3	IUA-Remittances to HO	33	(0)		-
	<b>Sub-total B</b>			<b>4,34,16,668</b>	<b>11,58,51,950</b>
<b>C</b>	<b>TOTAL (A + B)</b>			<b>162,09,62,342</b>	<b>101,98,40,336</b>

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 13 CURRENT LIABILITIES &amp; PROVISIONS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06		Previous Year 2004-05	
1	<b>Power Purchase Liability</b>					
	Sundry Creditors for Purchase of Power					
	a) Hydel Power		107,16,83,084			
	b) Thermal Power		11,02,73,280			
	c) Lignite Power		14,33,31,142			
	d) Atomic Energy		16,08,79,873			
	e) Conventional Energy		105,24,20,247			
	f) Non Conventional Energy		42,24,24,930			
	g) Wind Mill Energy		183,76,23,334			
				479,86,35,890		118,79,25,468
2	<b>Liabilities for supplies / works</b>	42.1 to 42.5	69,27,94,585	69,27,94,585	158,67,33,630	158,67,33,630
3	<b>Staff Related Liabilities</b>					
	Unpaid Salaries	44.210	29,71,230		29,61,714	
	Unpaid Bonus	44.220	71,399		45,211	
	Salary payable	44.310	91,41,22,668		1,51,33,192	
	Bonus payable	44.320	53,38,283		18,238	
	Ex-gratia payable	44.330	2,70,93,303		2,68,77,528	
				94,95,96,883		4,50,35,883
4	<b>Payables to KPTCL</b>					
	On accounts of funds received	46.106	11,40,45,744		13,16,86,313	
	On accounts of funds received and adjusted to receivable from KPTCL	28.881	182,58,37,001		260,80,43,661	
	On account of Materials, Released Assets, Personnel and others	42.200	86,02,15,825		211,80,38,330	
				280,00,98,570		485,77,68,304
5	<b>Payable to other ESCOMs</b>	42.200	101,67,85,612	101,67,85,612		2,72,89,125
6	<b>Other Liabilities</b>					
	Security Deposits in cash from Suppliers / Contractors	46.101	31,46,08,788		19,42,99,481	
	Security deposit other than in cash from suppliers / contractors	46.102	85,17,496		100,27,84,551	
	Power loom subsidy pending allocation to consumers	28.122	-		7,41,06,188	
	Stale Cheques	46.910	21,99,522		42,24,616	
	Payable to GOK BRP II arrears recovered from consumer	46.202	62,94,994		-	

## SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

## SCHEDULE : 13 CURRENT LIABILITIES &amp; PROVISIONS

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06		Previous Year 2004-05	
	Payable to GOK BRP II arrears recovered from consumer	46.204	6,78,713		-	
	Payable to GOK BRP II arrears recovered from consumer	46.205	19,43,272		-	
	Miscellaneous Deposits	46.966, 46.9			60,08,079	
	Excess credit under reconciliation	46.971 to 46.978	8,01,042		8,87,514	
	Levies / fees payable to GoK	46.300+ 46.301+ 46.104	13,18,78,798		93,91,711	
	Inter Unit Accounts - Other transactions / adjustments & AWP	37	142,53,97,046		60,01,31,392	
	IUA -Funds Transfer	34	-	189,23,19,671	0	189,18,33,532
<b>7</b>	<b>Outstanding Liability</b>					
	- for Expenses	46.103, 410,470, 46.929	48,98,66,318		20,86,71,918	
	- interest accrued but not due on loans	46.71	80,12,070	49,78,78,388	86,60,397	21,73,32,315
<b>8</b>	<b>Provisions for other liabilities</b>					
	Provision for Gratuity, Pension, Leave encashment, PF & Family Benefit Fund	44.122,130, 140 to 142	9,09,70,164		12,35,16,589	
	Provision for Income-Tax & Fringe Benefit Tax	46.800	17,07,00,000		7,59,10,000	
	Miscellaneous Provisions		-		35,00,141	
				26,16,70,164		20,29,26,730
	<b>TOTAL</b>			<b>1293,20,65,273</b>		<b>1001,68,44,987</b>

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006**

**SCHEDULE : 14 REVENUE FROM SALE OF POWER**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
<b>1</b>	<b>Revenue from Sale of Power – LT</b>			
	Bhagya jyothi Scheme	61.101	<b>15,77,48,330</b>	22,43,62,395
	Non-Commercial Lights and Fans Non-Domestic and Non-commercial lighting installations. Domestic combined lighting, heating and motive power Private, Professional and unaided educational institutions.	61.110+ 61.111	<b>937,09,93,053</b>	818,60,46,435
	Commercial and Non-Industrial Lights and Fans.	61.115	<b>426,87,12,599</b>	366,72,24,159
	Irrigation Pump Sets (10 HP & below)/ Water Lifting.	61.119+ 61.120	<b>253,64,73,607</b>	189,92,67,563
	Irrigation Pump sets (above 10 HP) /Water Lifting.	61.121	<b>53,79,949</b>	54,09,231
	Water supply-Village Panchayats and Town Panchayats.	61.125	<b>73,30,83,432</b>	71,87,85,589
	Water supply - Others.	61.126	<b>43,41,42,597</b>	39,33,37,231
	Private Horticultural Nurseries, Coffee, Tea, Cocoanut and Arecanut Plantations..	61.128	<b>34,98,554</b>	30,92,863
	Industrial, Non-Industrial, Heating and Motive Power including Lighting	61.129 to 61.133	<b>422,20,28,958</b>	396,98,81,644
	Public Lighting/ Village and Town Panchayats.	61.140	<b>62,49,33,248</b>	57,64,36,674
	Public Lighting - Others.	61.141, 61.143	<b>69,00,85,630</b>	59,56,59,106
	Temporary Power Supply - Non-commercial lights and fans and other small appliances	61.145	<b>58,53,42,346</b>	45,16,17,155
			<b>2363,24,22,303</b>	2069,11,20,045

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006**
**SCHEDULE : 14 REVENUE FROM SALE OF POWER**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
2	<b>Revenue from Sale of Power-HT</b>			
	Public Water Supply & Sewerage Pumping	61.250	162,04,42,878	154,32,84,555
	Industrial, Non-industrial and Commercial purposes & Railway Traction	61.255	1055,93,04,274	872,12,54,731
	Commercial.	61.256	628,23,65,339	467,23,90,498
	Irrigation and Agricultural Farms. Lift Irrigation Societies, Lift Irrigation Schemes and Govt., Horticultural Farms	61.260	78,07,520	74,38,905
	Private Horticultural Nurseries coffee & Tea Plantation	61.261	2,15,883	-
	Rural Electric Co - Operative Societies	61.265	27,24,70,179	25,93,16,777
	Residential apartments and colonies availing power supply independently.	61.271	33,62,403	-
	Recoveries for theft of power	61.710	1,53,259	-
			1874,61,21,735	1520,36,85,467
3	<b>Miscellaneous recoveries from Consumers</b>			
	Fuse charges	61.901	5,93,933	14,29,967
	Reconnection Fee (D & R)	61.902	11,53,027	68,45,208
	Public Lighting Maintenance Charges	61.903	56,57,823	2,86,73,065
	Service Connection	61.904	20,25,39,492	11,30,28,482
	Delayed payment charges from consumers.	61.905	3,41,00,245	22,39,16,150
	Other Receipts from consumers	61.906	20,08,94,234	16,86,61,398
			44,49,38,754	54,25,54,269
<b>TOTAL</b>			<b>4282,34,82,792</b>	<b>3643,73,59,781</b>



SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006

SCHEDULE : 15 OTHER INCOME

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06		Previous Year 2004-05	
<b>1</b>	<b>Income from Investments</b>					
	Interest on Bank Fixed Deposits	62.222	<b>3,77,15,739</b>			3,85,560
	<b>Sub Total - 1</b>			<b>3,77,15,739</b>		3,85,560
<b>2</b>	<b>Other Income</b>					
	Profit on sale of stores	62.330	<b>1,85,61,963</b>		80,08,752	
	Sale of scrap	62.340	<b>1,26,310</b>		61,85,390	
	Other Miscellaneous receipts	62.360	<b>7,45,789</b>		13,65,754	
	Other Income	62.625	<b>24,27,638</b>		-	
	Material Cost Variance	62.630+ 62.904+ 79.110	<b>6,31,56,585</b>		-	
	Rental from Staff Quarters	62.901	<b>73,33,844</b>		74,64,040	
	Rental from others	62.902	<b>76,944</b>		1,85,960	
	Value of materials & fixed assets found excess during physical verification	62.905	<b>45,50,517</b>		51,54,053	
	Commission at 1.5% for collection of Electricity Duty.	62.916	<b>2,75,06,041</b>		2,47,32,708	
	Incentives received	62.917, 62.918	<b>18,30,99,680</b>		-	
	Provision for Bad debt withdrawn (to the extent bad debt written off)		<b>3,91,53,180</b>			
	Miscellaneous Recoveries.	62.917+ 62.907+ 62.361+ 62.362	<b>12,69,60,344</b>		6,63,18,279	
	Extraordinary Credits	63.200	<b>30,00,000</b>		-	
	<b>Sub Total - 2</b>			<b>47,66,98,835</b>		11,94,14,936
	<b>TOTAL</b>			<b>51,44,14,574</b>		11,98,00,496

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006**

**SCHEDULE : 16 PURCHASE OF POWER**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
A	Bulk power supply charges		-	2767,67,90,388
B	<b>Power Purchase Cost</b>			
	a) Hydel Power		347,66,95,698	
	b) Thermal Power		1064,59,59,355	
	c) Lignite Power		181,83,01,352	
	d) Atomic Energy		89,44,75,977	
	e) Conventional Energy		414,20,82,456	
	f) Non Conventional Energy		154,85,21,385	
	g) Wind Mill Energy		231,76,00,338	
C	UI, Transmission and Administrative charges		875,25,41,547	273,69,81,081
	<b>TOTAL</b>		<b>3359,61,78,108</b>	<b>3041,37,71,469</b>

SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006

**SCHEDULE : 17 REPAIRS AND MAINTENANCE**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Plant and Machinery	74.1	<b>18,35,20,381</b>	14,62,32,164
2	Buildings	74.2	<b>1,01,31,518</b>	77,14,880
3	Civil works (Pipeline, Seweage, drainage and water supply)	74.3	<b>32,68,548</b>	28,88,823
4	Lines, Cable Net Work Etc.	74.5	<b>19,13,96,937</b>	15,43,56,951
5	Vehicles	74.6	<b>61,17,145</b>	63,94,745
6	Furniture and Fixtures	74.7	<b>1,23,998</b>	32,140
7	Office Equipments	74.8	<b>25,68,078</b>	39,34,812
<b>TOTAL</b>			<b>39,71,26,605</b>	32,15,54,515

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006**
**SCHEDULE : 18 EMPLOYEE COSTS**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
<b>1</b>	<b>Salaries and allowances</b>			
	Salaries	75.1	130,77,44,533	103,57,74,143
	Over Time	75.2	4,16,99,052	4,97,97,060
	Dearness Allowance	75.3	66,80,27,155	63,05,54,574
	Other Allowances	75.4	14,23,70,490	15,20,31,416
	Bonus	75.5	3,51,52,708	2,84,42,643
	<b>Sub total - 1</b>		<b>2,19,49,93,937</b>	<b>1,89,65,99,836</b>
<b>2</b>	<b>Other Benefits</b>			
	Medical Expenses reimbursement	75.611	2,96,51,638	2,78,96,316
	Leave travel assistance	75.612	54,556	1,89,832
	Earned leave encashment	75.617	14,98,58,770	7,52,56,190
	E.L.Encashment - Retirement / Deceased Employees	75.618	3,51,43,749	3,62,76,480
	Staff Welfare expenses	75.7	6,74,76,098	6,52,27,405
	Payment towards Provident Fund	75.7	27,86,490	87,77,088
	Terminal Benefits	75.8	35,06,79,917	34,80,31,046
	<b>Sub total - 2</b>		<b>63,56,51,218</b>	<b>56,16,54,357</b>
<b>3</b>	<b>Others</b>			
	Payment under workmens compensation Act	75.629	26,22,395	18,93,492
	Payment to helpers/employees of Monsoon gang	75.630	3,24,78,024	3,38,78,134
	<b>Sub total - 3</b>		<b>3,51,00,419</b>	<b>35,771,626</b>
<b>TOTAL</b>			<b>286,57,45,574</b>	<b>249,40,25,819</b>

SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006

**SCHEDULE : 19 ADMINISTRATIVE AND OTHER EXPENSES**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Rent	76.101	<b>3,85,01,998</b>	3,89,33,440
2	Rates & Taxes	76.102	<b>7,85,744</b>	4,63,387
3	Insurance/fee	76.104,105, 106	<b>68,47,233</b>	56,02,609
4	Security Charges	76.103	<b>48,83,225</b>	46,24,582
5	Postage stamps & Telephone charges	76.111,112,113, 76.115	<b>3,87,65,225</b>	3,12,04,262
6	Remuneration to contract agencies	76.122,123, 124,125 to 76.130	<b>23,11,83,160</b>	16,61,13,264
7	Legal, professional and consultancy charges	76.121	<b>7,91,838</b>	2,08,05,676
8	Conveyance & Travel expenses	76.131,135, 137 to 139,	<b>8,80,26,891</b>	7,58,44,262
9	Vehicle running expenses	76.136	<b>2,40,99,481</b>	2,22,00,947
10	Statutory Auditors' Remuneration			
	- as Statutory Audit fee		<b>2,25,000</b>	2,25,000
	- as Tax Audit fee		<b>50,000</b>	50,000
	- as Expenses		<b>20,000</b>	20,000
	- as Service tax		<b>27,638</b>	27,638
11	Fees & Subscriptions	76.151	<b>1,26,53,863</b>	-
12	Printing & Stationery	76.153	<b>2,81,67,629</b>	3,69,27,241
13	Advertisement Expenses	76.155	<b>31,88,109</b>	58,74,605
14	Computer Stationeries & floppies	76.156	<b>62,95,226</b>	-
15	Contributions	76.157	<b>1,00,00,000</b>	-
16	Electricity Charges	76.158	<b>1,68,50,240</b>	1,41,63,841
17	Water Charges	76.160	<b>13,57,218</b>	10,39,417
18	Miscellaneous expenses	76.152,154, 162,164,190, 191,192,79.2	<b>1,48,42,293</b>	1,65,21,761
19	Freight & other material related expenses	76.201 to 76.282	<b>2,70,74,383</b>	2,26,37,147
<b>TOTAL</b>			<b>55,46,36,395</b>	46,32,79,079

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006**

**SCHEDULE : 20 OTHER CHARGES (DEBITS)**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Preliminary expenses written off		-	1,37,13,675
2	<b>Other Expenses :</b>			
	Small & Low value items Written off	77.600	3,57,924	56,134
	Computer Rentals/maintenance charges	77.611	64,93,885	67,38,597
	Losses/gain relating to Fixed Assets	77.7-62.4	81,41,748	1,45,09,205
	Asset decommissioning cost	77.5	8,46,047	12,62,551
	Bad Debts written off	79.410	3,91,53,180	1,14,03,122
	Provision for Bad & doubtful debts	79.460	236,07,16,637	32,70,22,502
	Miscellaneous losses and Write offs	79.5	1,62,69,696	3,69,04,082
	Material cost variance	79.110	-	9,22,58,422
<b>TOTAL</b>			<b>243,19,79,116</b>	<b>50,38,68,290</b>

SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006

**SCHEDULE : 21 DEPRECIATION**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Depreciation on Buildings	77.120	<b>83,05,753</b>	83,82,691
2	Depreciation on Civil works (pipeline, sewerage, drainage, water supply etc.,)	77.130	<b>5,80,307</b>	4,57,615
3	Depreciation on other Civil Works	77.140	<b>1,25,469</b>	1,34,116
4	Depreciation on Plant and Machinery	77.150+151	<b>27,63,09,757</b>	26,60,31,589
5	Depreciation on lines, cable, network etc.,	77.160+161	<b>81,59,97,471</b>	70,93,53,901
6	Depreciation on Vehicles	77.170+171	<b>10,84,364</b>	10,74,476
7	Depreciation on furniture, fixtures	77.180	<b>49,54,531</b>	38,54,804
8	Depreciation on Office equipments	77.190+191	<b>14,51,581</b>	11,29,129
<b>TOTAL</b>			<b>110,88,09,234</b>	99,04,18,320

**SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006**

**SCHEDULE : 22 INTEREST AND OTHER CHARGES**

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
1	Interest on Loans	78.1+ 78.540	<b>32,47,59,871</b>	23,79,07,790
2	Guarantee Commission to GoK	78.868	<b>52,00,000</b>	1,03,47,443
3	Other Interest and Finance Charges	78.820 to 78.890	<b>1,66,69,567</b>	6,44,689
4	Interest to Consumers	78.600	<b>58,27,82,772</b>	-
5	Interest on belated payment for power Purchase	80.102 to 80.149	<b>10,19,69,460</b>	-
<b>TOTAL</b>			<b>103,13,81,670</b>	24,88,99,922



SCHEDULES 14 TO 23 FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2006

SCHEDULE : 23 PRIOR PERIOD CREDITS / CHARGES

Amount in Rupees

Sl. No.	Particulars	Account Code	Current Year 2005-06	Previous Year 2004-05
<b>A</b>	<b>Income relating to previous years :</b>			
	1. Excess provision for Depreciation in prior period	65.600	7,08,97,472	3,16,76,683
	2. Excess provision for Interest & Finance charges	65.700	-	8,93,57,095
	3. Other excess provision in prior period	65.800	1,16,58,919	83,04,18,914
	4. Other income relating to prior period	65.900	1,89,24,243	1,65,12,354
	5. Receipts from Consumers Relating to Prior period	65.200	15,00,000	-
	6. Excess Provisions- Prior Period Administrative expenses	83.820	1,21,81,862	-
			11,51,62,495	96,79,65,046
<b>B</b>	<b>Prior period expenses / losses :</b>			
	1. Operating expenses of previous year	83.300	31,00,262	45,50,619
	2. Employee costs relating to previous year	83.500	60,11,42,369	2,87,66,247
	3. Depreciation under provided in previous period	83.600	7,88,36,762	7,91,67,556
	4. Administrative expenses of previous period	83.820	0	4,90,99,193
	5. Material related expenses of previous period	83.840	14,44,985	19,72,143
	6. Other expenses relating to prior periods	83.850	3,26,26,944	90,84,57,393
	7. Withdrawal of Revenue Demand	83.800	3,82,61,657	13,26,77,345
	8. Short provision for power purchased in previous years	83.100	2,78,07,982	-
			78,32,20,961	120,46,90,496
<b>C.</b>	<b>Net prior period credits / (charges) (A-B)</b>		(66,80,58,466)	(23,67,25,450)

**SCHEDULE : 24**

**SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES FORMING PART OF THE ANNUAL ACCOUNTS  
As at 31<sup>st</sup> MARCH 2006**

**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. RECOGNITION OF REVENUE SURPLUS

- 6.1 The Company follows the method of recognizing the Revenue surplus (Net Profit after tax) for the year based on the Electricity Act 2003, at a minimum of 14% ROE (Equity plus Reserves and surplus). In case of any shortfall to the extent, as arrived at by computing the Revenue Surplus @ 14% ROE, the same shall be made good by way of Government Subsidy from Government of Karnataka.

#### 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, BJ/KJ installations and IP sets) 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.

8.2 The provision for Bad and Doubtful debts in respect of arrears of IP sets and BJ/KJ installations is maintained on the following pattern.

a.	Dues outstanding for 2 years and above	-	75%
b.	Dues outstanding between 1 year and 2 years	-	50%
c.	Dues outstanding less than 1 year	-	Nil

## 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 Revenue 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 based on the Government of Karnataka Order No. EN 131 PSR 2003 Dated 10<sup>th</sup> May 2005 for accounting the cost of power based on the billings made by Power Generators Pool allocated to BESCOM by the Government of Karnataka. The Company recognizes the readings at interface point of each power generator allocated to it.

11.2 The Transmission cost on power purchase is recognized on the basis of readings at the interface points between KPTCL and the Company

- 11.3 The company has recognized the following as interface points for transmission of power:
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 01.04.2005 to 31.03.2006. (Previous year for the period commencing from 01.04.2004 to 31.03.2005)
  - 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 2<sup>nd</sup> 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 Sheet of KPTCL and BESCOM based on the Annual Accounts of KPTCL as on 31-03-2001. As per the provisions of 2<sup>nd</sup> Transfer Scheme, after the stipulated period of one year i.e., by 31-05-2003, the same became final. Opening Balance Sheet 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 Sheet of BESCOM as at 01-06-2002 vide their order No. DE 48 PSR 2003 dated 31-05-2003/No.DE 48 PSR 2003, dated 07-10-2004.This has been notified and published as Final.
2. **Share Deposit**
    - 2.1 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 2004-05, 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.
    - 2.2 The Net Worth account has been Increased / decreased for certain adjustments as intimated by KPTCL/ESCOMs and as also observed by the Company.
  3. **Loans**
    - 3.1 The Secured Loans and Unsecured loans are determined subject to 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.

3.2 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.

#### 4. Fixed Assets

4.1 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.

4.2 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.

4.3 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.

4.4 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.

#### 4.5 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.

4.6 During the current year, on the borrowals from State Bank of India and Corporation Bank for carrying out common Capital works and also from Rural Electrification Corporation Ltd., (REC) and Government of Karnataka for carrying out Accelerated Power Development Reforms Project (APDRP) Capital works, the interest portion 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.

4.7 The Company during the last two year has taken up major works under APDRP scheme for replacement of U.G. cables and other distribution network. The process of identifying the assets rendered surplus/not in use is in progress and will be taken up based on technical recommendation.

#### 5. Sundry Debtors

5.1 Sundry debtors include Rs.254.21 crores as provision for Doubtful Debts identified and transferred as opening balance on 01-06-2002 under the Transfers Scheme. The company has to receive from Government of Karnataka Rs. 423.85 Crores towards IP set dues waiver and when the amount is received the respective provision for bad and doubtful debts

of Rs. 96.70 Crores carried in the opening balance would be transfer to Capital Reserve Account.

- 5.2 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.
- 5.3 In case of IP sets and BJ/KJ, as per the change in Accounting Policy for making a provision for Bad & Doubtful Debts on IP sets, BJ/KJ installations dues, the company has made a separate provision of Rs. 251.22 Crores (Last year nil).
- 5.4 The company has identified arrears in respect of long permanently disconnected installations amounting to Rs. 34.30 Crores and has made provision during the year 2004-05 and the same has been held under the provision for bad and doubtful debts account as at 31-3-2006.
- 5.5 The company is in the process of identifying the erroneous demands made on account of institution of computerized billing system for which a provision was made already in the accounts upto 31-3-2005 to the extent of Rs. 49.12 Crores (Net). The factors and circumstances leading to such erroneous demand have been taken up for a detailed scrutiny at sub division level.
- 5.6 The balances with KPTCL, other Escoms, (Gescom, Hescom, Mescom) dues from Contractors, Sundry Creditors, Advances to suppliers, fabricators holding materials and deposits with various parties are subject to confirmation/reconciliation. The process of reconciliation of receivables and payable in respect of ESCOM's have been reconciled on certain transactions. However, the confirmations and reconciliation as on 31-03-2006 is pending.
- 5.7 The Breakup of the Provision for Bad and Doubtful Debts maintained as against the total Receivables as on 31-03-2006 is as under :

(Rs. in Crores)

Sl.No.	Particulars	2005-06	2004-05
1	Opening Balance 01-06-2002. (As per Government of Karnataka order)	254.21	254.21
2	On account of 4% provisioning as per Accounting Policy – LT category and others.	10.40	29.46
3	On account of Long Disconnected Installations	34.30	34.30
4	On account of arrears of BJ/KJ and IP set installations.	251.22	—
<b>Total</b>		<b>550.13</b>	<b>317.97</b>

## 6. Inventories Stores and Spares

- 6.1 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.
- 6.2 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.

## 7. Pension, Gratuity and Leave Encashment

- 7.1 All the employees of the Company are on deputation from KPTCL.
- 7.2 The actuarial valuation for the year 2005-06 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 and the same is being regularly remitted to the Trust.
- 7.3 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.

## 8. Revision of Pay Scales

- 8.1 The employees of the Company are on deputation from KPTCL.
- 8.2 A provision is made in the accounting towards revision of pay scale for the years 2003-04, 2004-05 and 2005-06 amounting to Rs.28.48 Crores, Rs. 29.96 Crores and Rs. 31.19 Crores respectively as per Government Order EN 221 EEB 2004 dated 27.4.2006. However, the settlement of such revision of pay scale is not finalised.

## 9. Contingent Liability

- 9.1 Estimated amount of Contract remaining to be executed on Capital Account is not provided, as information on the same is not available with the Company.
- 9.2 The Company has received Scrutiny Assessment Order under section 143 (3) of the Income Tax Act for the Assessment Year 2003-04 with a demand of Rs. 74,37,957/-. The Company has preferred 1<sup>st</sup> appeal with the Commissioner of Income Tax (Appeals) and the same is under dispute.

## 10. The Details of zone-wise appeal cases pending as at 31-3-2006 are as follows :

Sl.No.	Particulars	BMAZ	BRAZ	CZ	Total
1	No. of appeal cases pending as on 31-3-06	494	248	59	801
2	Amount involved (Rs. in Lakhs)	573.35	245.73	73.09	892.17

Note : Inclusive of pending recovery cases – 215 Nos / amount Rs. 151.55 Lakhs.



### 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 and the same is accounted upto 09-06-2005 during the year.

13.3 The Company accounts the power purchase from 10-6-2005 directly from Power Generators Pool Account as per the energy allocation/assigned by the Government of Karnataka as per the Government order No. EN 131 PSR 2003 dated 10:05:2005. The rates followed for the allocated/assigned power purchase are based on the commercial rates/predetermined rates as approved by the PPA/ KERC/Government of Karnataka.

13.4 The Transmission losses arised on account of Power Purchase from Generation Point till interface point of Transmission are accounted by the Company as per the information given by State Power Procurement Co-ordination Centre (SPPCC) based on the proportionate energy consumed. This is as per the said Government order.

13.5 The Company accounts the import/export of energy among ESCOMs as net energy either as a sale/purchase.

13.6 The Company has made provision for certain dues to the extent of Rs.36.62 Crores for Power Purchase which are pending before courts.

### 14. Rent

14.1 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 upto 09.10.2005. From 10-10-2005 as per KERC tariff order 2005,

demand on IP sets is being made. The subsidized portion from the Government of Karnataka on IP sets energy sales is not recognised in the books as per Government of Karnataka Letter No. EN 102 PSR 2005/6296/470 dated 16/19-12-2005.

15.2 The Company has posted a net profit after tax of Rs. 51.33 Crores for the year 2005-06 which is more than the earnings of 14% ROE. Hence, no claim is made on account of the Rural Electrification Subsidy 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

17.1 BESCOM has paid Electricity tax of Rs. 191.42 Crores collected from consumers for the year 2005-06 as per the directions given by the Government and has not adjusted towards subsidy receivables from Government of Karnataka.

### 18. Rebate / Commission

18.1 Commission for having collected electricity tax from consumers amounting to Rs. 2.75 Crores at 1.5% has been accounted as Miscellaneous Revenue which is to be received from Government of Karnataka.

19. The Company being a distribution licensee, the transactions pertaining to Meter Testing activity only has to be accounted. However, transactions pertaining to MT & RT (MRT division) for current year have been reflected in the books of company and bifurcation between Meter Testing and Relay Testing division is under process.

### 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	3,78,665	4,39,437	-
Ex-gratia	2,500	2,500	-
Travelling expenses	6,21,363	1,67,097	-
Sitting Fees	-	-	-
a. House Rent	2,08,000	-	-
b. Others	60,613	-	-

21.	Foreign exchange earnings :	-	-	-
	Foreign exchange expenses :	-	-	-

**22. Additional Information**

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

Details of sale of energy and Distribution Loss for the year 2005-06 (April-05 to March -06) are as follows:

Sl.No.	Particulars	Energy in MU	
		Current year	Previous year
1	Total Energy purchased at Generation Point (From 10-06-2005 to 31-03-2006)	12888.93	---
2	Less Transmission Loss	509.65	---
3	Total Energy at Interface Point	12379.28	---
4	Transmission Loss	4.11 %	---
5	Total Energy purchased at Interface Point (From 01-04-2005 to 09-06-2005)	2941.67	---
6	Total Energy Purchased (1+5)	15830.60	---
7	Total Energy at Interface Point for sale (3+5)	15320.95	14653.65
8	Total metered sales	8300.31	7187.10
9	Total un-metered sales*	3313.38*	3857.53*
10	Total Sales (8+9)	11613.69	11044.63
11	Distribution loss	3707.26	3609.37
12	Overall loss	4216.91	3609.37
13	Percentage of Distribution Loss (11/7)	24.20	24.63
14	Percentage of Transmission Loss (2/3)	4.12	---
15	Percentage of Overall Loss (12/6)	26.64	24.63

\* 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 Centers 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. Amounts due 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. **The Statutory Auditors remuneration:** A provision for Rs. 2,25,000/- plus service tax (previous year Rs.2,25,000.00 plus service tax) has been made in book of accounts and is subject to approval in Annual General Body Meeting.
29. The Accounts approved by the Board on 16:09:2006 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 and the Board has approved the revised accounts on 18:10:2006. Accordingly, the revision has resulted in (a) Increase in Net Profit by Rs.86.66 lakhs (b) Increase in total assets by Rs.290.62 lakhs and increase in liabilities by Rs. 203.96 lakhs.
30. Previous years figures have been grouped/regrouped wherever necessary.

Sd/-  
**(V.G. Pandit)**  
 Chief General Manager (F&C)

Sd/-  
**(Sridhara S.K.)**  
 Director (Technical)

Sd/-  
**(Gonal Bhimappa)**  
 Managing Director

As per our Report annexed  
 Sd/-

**(K. Venkatesh)**  
 Partner

for & on behalf of MURALI & VENKAT  
 Chartered Accountants

Place: Bangalore  
 Date : 18<sup>th</sup> October 2006

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2006**

Amount in Rupees

Sl. No.	Particulars	Current Year 2005-06		Previous Year 2004-05	
<b>A</b>	<b>Cash Flow from Operating Activities</b>				
	Net Profit before Tax	68,39,82,198		88,46,17,415	
	<b>Adjustments for:</b>				
	Depreciation	110,88,09,234		99,04,18,320	
	Interest & Other Charges	103,13,81,670		24,88,99,922	
	Interest Income on Investment	-		-	
	Contingency Reserve	-		-	
	Other Income	(51,44,14,574)		(11,98,00,496)	
	Prior period charges(+) or credits(-)	66,80,58,466		23,67,25,449	
	Income Tax	(17,07,00,000)		(7,59,10,000)	
	Operating Profit before working capital changes	280,71,16,994		216,49,50,610	
	<b>Adjustments for :</b>				
	Changes in Inventories	(23,07,31,288)		(8,85,79,427)	
	Changes in Sundry Debtors	(302,91,20,096)		(130,40,38,796)	
	Changes in Loans and Advances	71,40,42,594		(200,67,86,484)	
	Changes in Other Current Assets	(60,11,22,005)		360,00,53,617	
	Changes in Current Liabilities	285,64,76,850		(247,32,07,376)	
	Changes in Provisions	5,87,43,434		(23,92,346)	
	Operating Profit after working capital changes	257,54,06,483		(11,00,00,202)	
	Prior period charges(+) or credits(-)	(66,80,58,466)		(23,67,25,449)	
	Extraordinary items-Contributions from Consumers	103,73,38,982		147,19,34,898	
	Net Cash inflow from Operating Activities		294,46,86,999		112,52,09,247
<b>B</b>	<b>Cash Flow from Investment Activities</b>				
	Changes in Fixed Assets (Net)	(441,13,59,778)		(236,77,36,768)	
	Changes in Capital Work in Progress	104,67,53,073		(112,99,82,528)	
	Net Cash Outflow from Investment Activities		(336,46,06,705)		(349,77,19,296)
<b>C</b>	<b>Cash Flow from Financing Activities</b>				
	Changes in Capital/Share Deposit Account	2,40,25,989		7,27,58,394	
	Changes in Secured Loans	42,60,23,712		59,19,47,574	

Amount in Rupees

Sl. No.	Particulars	Current Year 2005-06		Previous Year 2004-05	
	Changes in Unsecured Loans	(1,18,86,015)		66,83,81,632	
	Service Line and Security Deposit	195,92,85,265		138,40,34,668	
	Interest & Other Charges	(103,13,81,670)		(24,88,99,922)	
	Other Income	51,44,14,574		11,98,00,496	
	<b>Net Cash available from Financing Activities</b>		<b>188,04,81,855</b>		<b>258,80,22,842</b>
D	<b>Net Change in Cash and Cash equivalents-</b>		<b>146,05,62,149</b>		<b>21,55,12,793</b>
	Surplus Cash [(A) + (B) + (C)]				
	Add: Opening Cash and Cash equivalents		54,80,49,455		33,25,36,662
			<b>200,86,11,604</b>		<b>54,80,49,455</b>
E	<b>Closing Cash and Cash equivalent :</b>		<b>200,86,11,604</b>	(0)	54,80,49,455

- 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/-  
**(V.G. Pandit)**  
 Chief General Manager (F&C)

Sd/-  
**(Sridhara S.K.)**  
 Director (Technical)

Sd/-  
**(Gonal Bhimappa)**  
 Managing Director

As per our Report annexed

Sd/-  
**(K. Venkatesh)**  
 Partner  
 for & on behalf of MURALI & VENKAT  
 Chartered Accountants

Place : Bangalore  
 Date : 18<sup>th</sup> October 2006

**AVERAGE REALISATION RATE FROM SALE OF POWER FOR FY 2005-06**

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	3,60,307	7,79,80,000	0.67	202.29	15,77,48,330	21,98,65,829
Lighting and AEH	LT 2(a&b)	39,82,318	265,19,87,087	22.82	353.36	937,09,93,053	236,60,74,443
Commercial Lighting	LT3		6520,13,167	5.61	652.50	425,43,90,395	36,25,50,791
Commercial Lighting, Auxilury cons)	LT3	4,99,146	67,49,576	0.06	212.19	143,22,204	1,30,11,437
IP Sets (10 HP & Below)	LT4(a)&(b)	5,01,454	288,50,20,000	24.83	87.92	253,64,73,607	666,13,43,991
IP Sets (Above10 HP)	LT4c	330	8,62,487	0.01	623.77	53,79,949	89,71,379
Pvt. Horticulture	LT4d	568	11,75,749	0.01	297.56	34,98,554	49,00,202
L.T. Industrial	LT5	1,14,372	90,53,56,118	7.79	466.34	422,20,28,958	37,97,81,855
Water Supply-VPs/TPs	LT6 A1	19,032	15,78,17,469	1.36	464.51	73,30,83,432	164,34,97,939
Water Supply -/TMCs/CMCs	LT6 B1	9,261	8,11,73,857	0.70	534.83	43,41,42,597	65,61,47,774
Public lighting-VPs/TPs&TMCs/CMCs	LT6 A2+B2 LT-6(ii)	20,895	35,04,00,000	3.02	375.29	131,50,18,878	260,72,88,933.89
Temporary Supply	LT7	33,844	6,77,12,825	0.58	864.45	58,53,42,346	-32,29,86,513.27
<b>TOTAL (LT)</b>	<b>I</b>	<b>55,41,527</b>	<b>783,82,48,335</b>	<b>67.45</b>	<b>301.50</b>	<b>2363,24,22,303</b>	<b>1460,04,48,061</b>
Water Supply	HT1	99	44,96,16,089	3.87	360.41	162,04,42,878	25,60,58,341
HT Industrial	HT2(a)	2,403	221,00,19,021	19.02	477.79	1055,93,04,274	36,94,89,706
Commercial	HT2(b)	1,855	104,65,37,245	9.01	600.30	628,23,65,339	1,80,61,158
Lift Irrgtn Societies	HT3(a)	18	7,71,703	0.01	1,011.73	78,07,520	1,91,44,176
Lift Irrigation scheme/ Govt. Hort.	HT3(b)	1	98,013		220.26	2,15,883	1,99,575
Residential Apartments	HT4	140	7,51,66,681	0.65	366.96	27,58,32,581	3,72,153
<b>TOTAL (HT)</b>	<b>II</b>	<b>4,516</b>	<b>378,22,08,752</b>	<b>32.55</b>	<b>495.64</b>	<b>1874,59,68,476</b>	<b>66,33,25,109</b>
<b>TOTAL (LT+HT)</b>	<b>III</b>	<b>55,46,043</b>	<b>1162,04,57,087</b>	<b>100.00</b>	<b>364.69</b>	<b>4237,83,90,779</b>	<b>1526,37,73,170</b>
Misc. receipts from Consumers						44,49,38,754	24,103
<b>GRAND TOTAL</b>						<b>4282,33,29,533</b>	<b>1526,37,97,273</b>
Recoveries for theft of power						1,53,259	
<b>NET TOTAL</b>		<b>55,46,043</b>	<b>1162,04,57,087</b>		<b>364.69</b>	<b>4282,34,82,792</b>	<b>1526,37,97,273</b>







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