

# GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED



## Annual Accounts

FY 2010-11

**Regd Office :**

Station Road,

Gulbarga – 585102

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# GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

BALANCE SHEET AS AT MARCH 31ST 2011

PARTICULARS	SCH NO	AS AT 31-03-2011 (₹)		AS AT 31-03-2010 (₹)	
<b>SOURCES OF FUNDS</b>					
<u>Share holders Funds</u>					
Share Capital	1	305 13 61 040		130 13 61 040	
Share Deposit	1A	105 06 00 000		175 00 00 003	
Reserves and Surplus	2	343 04 07 081	753 23 68 122	298 76 16 594	603 89 77 637
<u>Loan Funds</u>					
Secured Loans	3	559 64 65 849		692 61 31 832	
Unsecured Loans	4	17 87 54 771	577 52 20 620	23 08 83 073	715 70 14 905
<u>Other Funds</u>					
Service Line and Security Deposits	5		305 60 87 627		285 90 80 446
Deferred Taxes (Refer Note No 25)			13 95 59 478		50 97 02 588
<b>TOTAL</b>			<b>1650 32 35 846</b>		<b>1656 47 75 576</b>
<b>APPLICATION OF FUNDS</b>					
<u>Fixed Assets</u>	6				
(a) Gross Block		1709 58 37 588		1488 91 49 621	
(b) Less: Depreciation		489 82 41 235		428 82 74 925	
(c) Net Block		1219 75 96 353		1060 08 74 696	
(d) Capital Work in Progress	7	63 67 34 675	1283 43 31 027	161 68 35 046	1221 77 09 743
Investments	8		1 00 000		1 00 000
<u>Current Assets, Loans and Advances</u>					
Inventories, Stores & Spares	9	65 13 60 307		58 74 92 367	
Sundry Debtors	10	1304 92 75 364		1216 96 43 731	
Cash and Bank balances	11	154 11 06 614		71 58 33 424	
Loans and Advances including Deposits	12	63 84 76 617		75 16 66 456	
Other Current Assets	13	681 20 81 374		509 58 88 548	
			2269 23 00 276		1932 05 24 526
Less: Current Liabilities & Provisions	14	2057 64 48 376		1713 95 95 303	
<b>Net Current Assets</b>			211 58 51 900		218 09 29 223
<b>Profit &amp; Loss account</b>	2A		155 29 52 919		216 60 36 610
<b>TOTAL</b>			<b>1650 32 35 846</b>		<b>1656 47 75 576</b>
Significant Accounting Policies and notes forming part of Balance Sheet	26				

As per our report of even date  
For P.K.Subramaniam & Co.,  
Chartered Accountants

for and on behalf of the Board of Directors

CA Veerbasanagouda Shivappa  
Partner  
Membership No 208698  
Firm Regn .No.004135S

( G C Prakash, IAS )  
Managing Director

(M Mahadev)  
Director(Technical)

(Suresh Terdal)  
Financial Advisor

Place : Gulbarga  
Date: 09/12/2011



# GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	SCH. NO	CURRENT YEAR		PREVIOUS YEAR	
		(₹)		(₹)	
<b>INCOME</b>					
Revenue from sale of power	15		2202 18 83 695		1659 74 00 952
Revenue Subsidies & Grants	16		---		20 00 000
Other Income	17		40 21 67 504		29 40 03 569
<b>TOTAL</b>			<b>2242 40 51 198</b>		<b>1689 34 04 521</b>
<b>EXPENDITURE</b>					
Purchase of power		1768 11 36 621		1277 08 79 438	
Repairs and maintenance	18	24 21 15 944		20 92 40 331	
Employee Costs	19	198 86 09 254		151 59 90 750	
Administrative and other expenses	20	34 38 75 398		30 44 33 761	
Other Debits	21	3 70 63 223	2029 28 00 440	14 61 10 008	1494 66 54 288
<b>Profit/(loss) Before Depreciation, Interest &amp; Taxes</b>			213 12 50 759		194 67 50 233
Less : Depreciation	22		67 89 53 496		59 21 72 464
<b>Profit/(loss) Before Interest and Taxes</b>			145 22 97 263		135 45 77 769
Less : Interest and other Charges	23	176 48 74 409		145 85 91 162	
Less: Interest capitalised	24	2 60 00 530	173 88 73 879	6 71 56 211	139 14 34 951
Less : Prior period charges (Net)	25		(28 65 76 617)		(3 68 57 182)
			(52 95 17 196)		(5 53 21 967)
<b>Profit/(loss) Before Taxation</b>			24 29 40 580		1 84 64 785
Less : Provision for Current Tax	---			2 85 00 000	
Provision/(reversal) for Deffered Taxes		(37 01 43 110)	(37 01 43 110)	30 10 61 767	32 95 61 767
<b>Profit/(Loss) for the year after tax</b>			<b>61 30 83 690</b>		<b>(31 10 96 982)</b>
Balance of profit brought over from Previous Year			(216 60 36 609)		(185 49 39 627)
Balance Profit/(loss) Carried to Balance Sheet			<b>(155 29 52 919)</b>		<b>(216 60 36 609)</b>
Significant Accounting Policies and notes forming part of Balance Sheet	26				

As per our report of even date  
For P.K.Subramaniam & Co.,  
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CA Veerbasanagouda Shivappa  
Partner  
Membership No 208698  
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( G C Prakash, IAS )  
Managing Director

(M Mahadev)  
Director(Technical)

(Suresh Terdal)  
Financial Advisor

Place : Gulbarga  
Date: 09/12/2011



**GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2011**

Particulars	Current Year		Previous Year	
	(₹)	(₹)	(₹)	(₹)
<b>A. Cash Flow from operating activities</b>				
Profit before Taxation		24,29,40,579.62		1,84,64,785
Add: Adjustments for				
Depreciation	67,89,53,496.25		59,21,72,464	
Intrest & Finance Charges	1,73,88,73,879.21		1,39,14,34,951	
Preliminary Expenses written off	-	2,41,78,27,375	-	1,98,36,07,416
Operating Profit before Working Capital Changes		2,66,07,67,955		2,00,20,72,200
Less: Income tax/Fringe Benefit Tax paid				-
		2,66,07,67,955		2,00,20,72,200
Adjustments for				
Trade receivables	(87,96,31,633.70)		(1,87,34,78,148)	
Other receivables	(1,60,30,02,986.82)		(22,84,19,223)	
Inventories	(6,38,67,940.40)		(9,11,64,710)	
Trade / Current Payables	3,43,68,53,073.10	89,03,50,512.18	85,97,20,912	(1,33,33,41,170)
Net Cash from operating activities		3,55,11,18,467		66,87,31,030
<b>B. Cash Flow from Investing activities</b>				
Purchase / Acquisition of Fixed Assets (Net of Sale)	(2,20,66,87,967.39)		(2,31,42,25,335)	
Changes in capital work in Progress	98,01,00,371.75		(17,72,96,381)	
Net Cash used in Investing activities		(1,22,65,87,595.64)	-	(2,49,15,21,716)
<b>C. Cash Flow from Financing activities</b>				
Changes in Share Capital	1,75,00,00,000.00		-	
Changes in Share deposit	(69,94,00,002.58)		1,75,00,00,000	
Proceeds from Borrowings	(1,38,17,94,285.00)		1,19,42,09,073	
Grants received towards Capital Expenditure	44,27,90,487.66		47,52,19,360	
Service Line & Security Deposits from Consumers	19,70,07,180.02		22,19,00,684	
Interest & Finance Charges	(1,73,88,73,879.21)		(1,39,14,34,951)	
Net Cash used in financing activities		(3,18,02,70,499.11)		2,24,98,94,165
Increase in cash & cash equivalents		(85,57,39,627)		42,71,03,479
Add: Cash & Cash equivalents as at the commencement of the period		71,58,33,424		28,87,29,944
Cash & Cash equivalents as at the end of the Year		1,54,11,06,614		71,58,33,424

Note:

- 1) Cash & Cash Equivalents represent cash & bank balances and deposits with Banks
- 2) The cash flow statement has been prepared under the indirect method enunciated in the Accounting Standard - 3 " Cash Flow Statement " issued by ICAI
- 3) Figures in brackets indicate cash outflow
- 4) Previous years figures have been regrouped, rearranged wherever necessary

**As per our report of even date**  
**For P.K.Subramaniam & Co.,**  
**Chartered Accountants**

**for and on behalf of the Board of Directors**

**CA Veerbasanagouda Shivappa**  
**Partner**  
**Membership No 208698**  
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**( G C Prakash, IAS )**  
**Managing Director**

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**Financial Advisor**

**Place : Gulbarga**  
**Date: 09/12/2011**



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 01 SHARE CAPITAL

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
	(₹)		(₹)	
<b>Authorised Capital</b> 40,00,00,000 Equity shares of Rs. 10/- each		400 00 00 000		150 00 00 000
<b>Issued, Subscribed and Paid up Capital</b> 30 51 36 104 shares of Rs. 10/- each fully paid up. (Previous Year 13 01 36 104 shares of Rs. 10/- each fully paid up)		305 13 61 040		130 13 61 040
<b>Total</b>		<b>305 13 61 040</b>		<b>130 13 61 040</b>

### SCHEDULE: 01-A SHARE DEPOSIT

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
	(₹)		(₹)	
Share Deposit - GoK (pending allotment of shares)		105 06 00 000		175 00 00 003
<b>Total</b>		<b>105 06 00 000</b>		<b>175 00 00 003</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE 02 - RESERVES & SURPLUS

Particulars	AS AT 31-03-2011		AS AT 31-03-2010	
	(₹)		(₹)	
<b>Capital Reserves</b>				
<b>Consumer Contribution towards cost of capital assets</b>				
Opening Balance	98 23 63 286		73 93 37 992	
Add: Addition during the year	22 83 32 335	121 06 95 621	24 30 25 294	98 23 63 286
<b>Grants towards cost of capital assets</b>				
Opening Balance	195 83 12 361		177 30 59 242	
Add: Addition during the year	19 13 72 000	214 96 84 361	18 52 53 119	195 83 12 361
<b>Other Reserves</b>				
<b>Reserve for Material Cost Variance</b>				
Opening Balance	4 69 40 947			
Add /(Less): Adjusted during the year	2 30 86 153	7 00 27 100	4 69 40 947	4 69 40 947
<b>Total</b>		<b>343 04 07 081</b>		<b>298 76 16 594</b>

### SCHEDULE 02(A) - PROFIT & LOSS ACCOUNT

Opening Balance	(216 60 36 609)		(185 49 39 627)	
Add: Profit/(Loss) for the year	61 30 83 690	(155 29 52 919)	(31 10 96 982)	(216 60 36 609)
<b>Total</b>		<b>(155 29 52 919)</b>		<b>(216 60 36 609)</b>



**GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED**

**SCHEDULE: 03 SECURED LOANS**

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
	(₹)		(₹)	
Loan from Canara Bank (Secured by hypothecation of stores, inventories, machinery, current assets )		---		54 96 00 000
Loan from State Bank of Hyderabad (Secured by hypothecation of current assets distribution Material)		71 55 60 288		180 52 12 911
Loan from Rural Electrification Corporation (Secured by hypothecation of Distribution Materials)		279 49 60 197		289 96 53 760
Loan from Rural Electrification Corporation - PSI (Secured by hypothecation of Assets installed in Sub Stations constructed under the project)		75 82 08 538		62 98 18 021
Loans from Power Finance Corporation (Secured by hypothecation of Movable Assets comprising 2 x 5 MVA, 33/11 KV Sub Stations and associated lines)		38 37 57 868		40 78 87 124
Loan from Rural Electrification Corporation towards APDRP Works (Secured by hypothecation of Assets created under the project)		22 35 74 052		25 43 12 496
Loans from Power Finance Corporation  (Secured by hypothecation of Assets created under the project - DTC Metering)		27 25 67 990		23 14 93 520
Loans from Power Finance Corporation (Secured by hypothecation of Assets created under the project - Nirantara Jyoti)		3 45 47 916		3 60 50 000
Loans from Power Finance Corporation (Secured by hypothecation of Assets created under the project - R-APDRP)		41 32 89 000		11 21 04 000
<b>Total</b>		<b>559 64 65 849</b>		<b>692 61 31 832</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 04 UNSECURED LOANS

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
		(₹)		(₹)
Loans from GoK towards Ganga Kalyan Works		1 31 40 000		1 53 30 000
Loans from GoK towards Power Sector Automation (PSA)		78 30 000		1 30 50 000
Loans from Rural Electrification Corporation				2 85 69 470
Loans from Gol through GoK towards PMGY Works		6 88 85 792		7 43 36 438
Loans from Govt. of India, Ministry of Power towards APDRP Works		8 53 59 086		9 24 72 343
Loan from Power Finance Corporation Ltd.,		35 39 893		71 24 822
<b>Total</b>		<b>17 87 54 771</b>		<b>23 08 83 073</b>





## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 05 SERVICE LINE AND SECURITY DEPOSITS

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
		(₹)		(₹)
Electrification / Service Connection Deposits		4 75 75 293		5 12 02 730
Deposit for Ganga Kalyan Works		26 75 06 543		20 48 17 840
Other Deposits from Consumers		25 49 83 962		24 79 61 805
Security Deposit from consumers:		248 60 21 829		235 50 98 072
<b>Total</b>		<b>305 60 87 627</b>		<b>285 90 80 446</b>



**GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED**

**SCHEDULE : 6 : - FIXED ASSETS**

Schedule - 6

Asset Group	Gross Block				Depreciation					Net Block	
	As at 01/04/2010	Additions	Deletions/ Adjustments	As at 31/03/2011	As at 01/04/2010	For the Year	Adjustments	Withdrawals	As at 31/03/2011	As at 31/03/2011	As at 31/03/2010
Land & Rights	5 46 93 582	32 91 723		5 79 85 305						5 79 85 305	5 46 93 582
Buildings	18 70 72 936	2 28 91 104		20 99 64 040	4 54 76 508	64 15 871	87 559		5 19 79 938	15 79 84 103	14 15 96 429
Other Civil Works	2 79 87 429	20 15 479		3 00 02 908	50 12 987	15 09 136	16 936		65 39 058	2 34 63 849	2 29 74 442
Roads	89 73 097	11 46 641		1 01 19 738	14 94 756	3 11 209	30 630		18 36 595	82 83 144	74 78 342
Plant & Machinery	316 43 30 009	73 90 84 742	48 97 38 511	341 36 76 240	67 96 35 958	14 20 84 725	( 4 37 575)	6 65 75 921	75 47 07 188	265 89 69 052	248 46 94 051
Lines Cable Networks	1136 46 14 465	195 37 76 997	3 17 76 183	1328 66 15 279	350 54 60 405	52 17 97 423	2 36 27 693	2 14 48 677	402 94 36 844	925 71 78 435	785 91 54 060
Vehicles	3 36 27 021	9 53 243		3 45 80 264	2 87 59 124	3 59 142			2 91 18 266	54 61 998	48 67 896
Furniture & Fixtures	2 73 48 732	43 51 348	90 833	3 16 09 246	1 33 65 065	11 01 733	2 24 346		1 46 91 144	1 69 18 103	1 39 83 667
Office Equipments	2 05 02 350	7 82 218		2 12 84 567	90 70 123	10 30 164	( 1 68 085)		99 32 202	1 13 52 366	1 14 32 227
<b>Total</b>	<b>1488 91 49 621</b>	<b>272 82 93 495</b>	<b>52 16 05 527</b>	<b>1709 58 37 588</b>	<b>428 82 74 925</b>	<b>67 46 09 403</b>	<b>2 33 81 504</b>	<b>8 80 24 597</b>	<b>489 82 41 235</b>	<b>1219 75 96 354</b>	<b>1060 08 74 696</b>
<b>Previous Year</b>	<b>1269 62 88 616</b>	<b>251 43 46 730</b>	<b>32 14 85 726</b>	<b>1488 91 49 621</b>	<b>381 74 66 789</b>	<b>59 21 72 464</b>	<b>(1 86 77 756)</b>	<b>10 26 86 573</b>	<b>428 82 74 925</b>	<b>1060 08 74 696</b>	<b>887 88 21 828</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 07 CAPITAL WORKS IN PROGRESS

(As verified, valued & certified by the Management)

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
		(₹)		(₹)
Capital Work in Progress		61 84 08 976		158 85 40 135
Provision towards Capital Works		1 83 25 699		2 82 94 911
<b>Total</b>		<b>63 67 34 675</b>		<b>161 68 35 046</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 8 INVESTMENTS

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
		(₹)		(₹)
Investments towards share capital of Power Company of Karnataka Limited		1 00 000		1 00 000
<b>Total</b>		<b>1 00 000</b>		<b>1 00 000</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE - 9 INVENTORIES, STORES AND SPARES

(As verified, valued & certified by the Management)

PARTICULARS	AS AT 31-03-2011 (₹)		AS AT 31-03-2010 (₹)	
<b>Assets not in use</b>				
Written down value (WDV) of obsolete / scrapped assets.		94 77 821		1 45 35 401
Written down value (WDV) of Faulty / Dismantled Assets.		25 90 11 592		22 08 70 645
<b>Materials Stock Account</b>				
Material with Contractors for Repairs	4 79 27 522		4 74 03 636	
Materials Stock Account	30 04 49 550		26 44 47 061	
Material imprest Account	2 72 77 337		2 17 71 769	
Other Materials Account	69 70 557		1 81 33 138	
	38 26 24 966		35 17 55 604	
<b>Materials stock Excess / Shortage Pending Investigation.</b>				
Less : Stock Excess pending Investigation.	84 788		----	
	38 25 40 178		35 17 55 604	
Add : Stock Shortage pending investigation.	3 30 717	38 28 70 895	3 30 717	35 20 86 321
<b>TOTAL</b>		<b>65 13 60 307</b>		<b>58 74 92 367</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE - 10 SUNDRY DEBTORS

PARTICULARS	AS AT 31-03-2011 (₹)		AS AT 31-03-2010 (₹)	
<b>RECEIVABLES AGAINST SUPPLY OF POWER.</b>				
<u>Sundry Debtors for sale of Power – LT IP</u>				
Debts outstanding for more than 6 months	534 50 82 691		456 69 02 379	
Other debts	135 73 12 842	670 23 95 533	239 83 64 379	696 52 66 758
<u>Sundry Debtors for sale of Power – Other LT</u>				
Debts outstanding for more than 6 months	287 99 77 872		126 85 73 831	
Other debts	242 33 60 113	530 33 37 985	278 41 21 781	405 26 95 612
<u>Sundry Debtors for sale of Power - HT</u>				
Debts outstanding for more than 6 months	43 02 20 850		7 07 85 145	
Other debts	28 33 10 325	71 35 31 175	35 70 89 797	42 78 74 942
Dues from Permanently disconnected consumers (outstanding for a period more than 6 months)		65 90 56 343		129 69 44 205
Provision for Unbilled Revenue		127 08 60 030		102 47 70 678
Sundry Debtors for Electricity Tax		18 09 46 493		17 22 49 782
Towards Rebate on Remittance of Electricity Tax - Receivable from GoK.		4 55 01 617		3 62 09 886
		1487 56 29 176		1397 60 11 864
<b>Less :</b>				
Provision for withdrawal of Revenue demand	27 30 52 763		28 05 46 160	
Provision for Doubtful Dues from consumers	151 11 73 667		150 76 60 729	
Revenue Collection Pending Classification	3 15 36 393		55 49 440	
Revenue Suspense	1 05 90 988	182 63 53 811	1 26 11 805	180 63 68 134
<b>Total</b>		<b>1304 92 75 364</b>		<b>1216 96 43 731</b>

**Note :**

Sundry Debtors considered good and Fully Secured	19 95 93 146	7 23 07 456
Sundry Debtors unsecured and considered good	1289 18 09 599	1211 54 97 520
Sundry Debtors considered doubtful/bad	178 42 26 431	178 82 06 888

**Sundry Debtors from sale of power**

Outstanding for more than 6 months	931 43 37 755	723 21 13 597
Others	373 49 37 609	493 75 30 134
	<u>1304 92 75 364</u>	<u>1216 96 43 731</u>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE 11 : Cash and Bank

PARTICULARS	AS AT 31-03-2011 (₹)		AS AT 31-03-2010 (₹)	
<b>Cash &amp; Cash Equivalents</b>				
Cash on Hand	5 86 60 066		3 07 02 088	
Imprest with Staff	4 64 150		4 44 150	
Postage stamps on hand	1 18 324	5 92 42 540	84 833	3 12 31 071
<b>Cash at Bank - Current Accounts</b>				
State Bank of Mysore	4 93 35 396		3 85 48 067	
State Bank of India	54 16 882		28 48 583	
State Bank of Hyderabad	8 06 42 563		7 74 17 410	
Canara Bank	2 97 218		16 78 707	
Syndicate Bank	5 46 353		11 34 168	
Vijaya Bank	5 340	13 62 43 751	5 340	12 16 32 275
Cash at Bank - Deposit Accounts		85 07 76 996		14 21 12 325
Transfers from Units - In Transit Account		39 43 327		9 94 000
Cheques / Funds In Transit Account		49 09 00 000		41 98 63 753
<b>TOTAL</b>		<b>154 11 06 614</b>		<b>71 58 33 424</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE 12 : LOANS AND ADVANCES INCLUDING DEPOSITS

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
	(₹)		(₹)	
<b>(Recoverable in cash or kind or for value to be received)</b>				
Advances to Suppliers		4 19 71 690		1 57 81 857
Advances to Turnkey Contractors		44 45 82 614		61 63 08 710
Advances to Other Contractors		5 60 61 484		5 31 51 595
Advances to Staff - Interest free		1 86 43 898		1 79 69 008
State Power Procurement Co-ordination Committee / Power Company of Karnataka Limited		6 98 81 677		3 95 77 957
Deposits with Govt Departments / Authorities		73 35 254		88 77 329
<b>Total</b>		<b>63 84 76 617</b>		<b>75 16 66 456</b>





## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE 13 : OTHER CURRENT ASSETS

PARTICULARS	AS AT 31-03-2011 (₹)		AS AT 31-03-2010 (₹)	
<b>Receivable from GoK</b>				
RE Subsidy		30 50 87 720		30 50 87 720
Tariff Subsidy		410 74 71 045		228 74 12 537
Hyderabad Karnataka Development Programme		3 55 000		3 55 000
Dues from KPTCL/KPCL/ESCOMs		127 83 51 846		127 78 78 273
<b>Other Receivables</b>				
Regulatory Assets - recoverable from Consumers		107 03 44 736		107 03 44 736
Claims for Loss / Damage to Capital Assets		15 94 061		15 88 086
Power purchase rebate receivable / Income Accrued and not due				67 808
Recoverable from Employees		41 95 821		21 05 755
Prepaid Expenses		2 29 336		3 50 400
Advance Taxes		4 66 38 985		2 93 46 026
Receivable from Pension Trust		( 21 87 176)		12 13 52 206
<b>TOTAL</b>		<b>681 20 81 374</b>		<b>509 58 88 548</b>



**GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED**

**SCHEDULE 14 : CURRENT LIABILITIES & PROVISIONS**

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
		(₹)		(₹)
Dues towards purchase of power		1407 90 27 483		1034 70 24 793
Liability for Supplies/works		91 61 62 761		134 33 07 317
Dues to KPTCL/ESCOMs		370 37 54 823		370 18 90 183
<b>Staff Related Liabilities and Provisions</b>				
Contribution to Pension Trust / Contributory Pension Scheme	1 85 46 105		1 62 55 298	
Provision for Leave Encashment	24 48 03 477		17 20 35 686	
Provision for FBF Including Employee Contribution	3 54 72 426		5 56 52 726	
Unpaid Salaries & Bonus	3 62 24 953	33 50 46 962	3 45 28 046	27 84 71 756
<b>Inter Unit Accounts:</b>				
Inter Unit Accounts Materials	( 2 00 095)		41 92 787	
Inter Unit Account - CAPEX & Fixed Assets	18 59 772		15 23 077	
Inter Unit Account - Personnel	(2 49 09 364)		36 66 322	
Inter Unit Accounts - Other transactions / adj	(4 72 91 006)	(7 05 40 693)	(4 68 45 380)	(3 74 63 193)
<b>Payable to GoK</b>				
Surplus of BRP II adjustments	2 18 77 982		2 18 77 982	
BJ/KJ Scheme	1 16 50 974		1 16 50 974	
Electricity tax and other levies payable to Government.	6 99 20 816		12 26 83 134	
Fixed Cost of TBPCL recoverable and to be adjusted against Subsidy	24 21 44 736		24 21 44 736	
Compounding Charges Payable to Govt.	36 28 700	34 92 23 208	92 88 389	40 76 45 216
<b>Other Liabilities and Provisions</b>				
Security Deposits from Suppliers / Contractors	7 70 22 715		10 34 65 774	
Interest Accrued and not due on loans	8 69 70 382		6 62 16 913	
Liability for Expenses	49 85 54 512		56 38 53 936	
Liability towards Consumers	9 67 45 498		5 96 00 141	
Other Liabilities	13 99 71 920		7 97 37 939	
Excess Credits by Bank	1 04 35 516	90 97 00 544	84 65 649	88 13 40 352
Provision for Taxes		2 85 00 000		2 85 00 000
Interest Accrued and Payable to Consumers		13 65 71 130		12 91 83 228
BRP II Adjustment given By GOK i.r.o SMIORE		12 93 06 507		
BRP II Adjustment given By GOK - Pending details		5 96 95 651		5 96 95 651
<b>Total</b>		<b>2057 64 48 376</b>		<b>1713 95 95 303</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 15 REVENUE FROM SALE OF POWER

PARTICULARS	AS AT 31-03-2011 (₹)		AS AT 31-03-2010 (₹)	
		4670		4292
UNITS SOLD (IN MILLIONS)				
<b>REVENUE FROM SALE OF POWER – LT</b>				
Bhagya jyothi Scheme	13 96 10 165		7 32 69 183	
Tariff Subsidy from GoK towards BJ/KJ Category	36 47 28 224		32 49 81 689	
Domestic combined lighting, heating and motive power Private, Professional and unaided educational institutions.	217 27 65 396		184 73 51 275	
Commercial and Non-Industrial Lights and Fans.	123 31 43 418		99 04 34 042	
Irrigation Pump Sets / Water Lifting.	656 66 62 040		272 86 50 270	
Tariff Subsidy from GoK towards IP Sets (10 HP & Below) Category	244 66 46 381		296 87 65 498	
Irrigation Pump sets (above 10 HP)/Water Lifting.	1 14 89 215		66 91 900	
Water supply and Street Light Installations (LT)	103 77 78 065		97 50 51 439	
Private Horticultural Nurseries, Coffee, Tea, Cooconut and Areca nut Plantations.	20 24 233		41 81 659	
Industrial, Non-Industrial, Heating and Motive Power including Lighting	77 13 64 616		70 99 44 369	
Temporary Power Supply - Non-commercial lights and fans and other small appliances.	14 43 97 970	1489 06 09 723	8 79 69 528	1071 72 90 853
<b>REVENUE FROM SALE OF POWER – HT</b>				
Public Water Supply & Sewerage Pumping	27 12 04 815		23 51 63 685	
Industrial, Non-industrial and Commercial purposes & Railway Traction	490 12 99 451		406 71 73 439	
Commercial.	31 03 18 716		30 69 55 850	
Irrigation and Agricultural Farms. Lift Irrigation Societies, Lift Irrigation Schemes and Govt., Horticultural Farms	7 99 08 897		6 06 30 639	
Residential apartments and colonies availing power supply independently.	6 37 31 939	562 64 63 818	5 24 95 580	472 24 19 192
<b>Miscellaneous charges from Consumers.</b>				
Reconnection Fee (D & R)				
Service Connection (Supervision charges)	3 49 11 577		4 04 17 788	
Delayed payment charges from consumers.	173 61 60 423		112 13 69 803	
Other Receipts from consumers	6 85 16 443	183 95 88 443	6 66 46 811	122 84 34 402
<b>Gross Revenue</b>		2235 66 61 984		1666 81 44 447
Less : Withdrawal of Revenue Demand		33 47 78 288.80		7 07 43 496
<b>NET REVENUE</b>		<b>2202 18 83 695</b>		<b>1659 74 00 952</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 16 REVENUE SUBSIDIES AND GRANTS.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	(₹)		(₹)	
Relief Fund /Subsidy against loss on account of flood, Fire, Cyclone etc				20 00 000
<b>Total</b>		---		<b>20 00 000</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 17 OTHER INCOME

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		(₹)		(₹)
Interest on Bank Deposits		3 09 64 885		29 93 946
Gain on Sale of Assets		28 89 661		12 41 686
Profit on Sale of scrap		56 22 462		32 96 575
Other Miscellaneous Income		8 27 576		30 92 748
Rental from Staff/Others		62 04 006		67 76 778
Excess found on physical verification of Materials Stock.		2 60 255		37 447
Rebate for Remittance of Electricity Duty.		92 91 731		73 01 850
Miscellaneous Recoveries.		27 82 79 134		22 10 96 243
Rebate on Power Purchase		6 78 27 794		4 81 66 296
<b>Total</b>		<b>40 21 67 504</b>		<b>29 40 03 569</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 18 REPAIRS AND MAINTENANCE

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	(₹)		(₹)	
<b>Repairs &amp; Maintenance to</b>				
Plant and Machinery		18 02 93 242		14 89 79 337
Buildings		98 13 318		84 67 733
Civil Works		8 19 401		4 91 602
Lines, Cable Net Work Etc.		4 74 16 354		4 72 64 142
Vehicles		28 91 972		26 02 098
Furniture and Fixtures		2 760		2 09 685
Office Equipments.		8 78 897		12 25 734
<b>Total</b>		<b>24 21 15 944</b>		<b>20 92 40 331</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 19 EMPLOYEE COST

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		(₹)		(₹)
Salaries		87 41 38 619		74 13 85 238
Over Time		2 89 50 471		2 25 07 458
Dearness Allowance		49 14 38 584		29 56 77 330
Other Allowances		7 74 87 619		6 40 35 900
Bonus		1 95 41 904		1 45 79 480
Medical Expenses reimbursement		2 07 69 596		1 12 03 989
Earned leave encashment		15 09 41 464		5 55 86 415
Earned leave encashment - Retired Employees		3 66 31 685		3 91 93 792
Payment to helpers/employees of Monsoon gang		1 07 95 030		1 29 33 458
Staff Welfare expenses		1 49 22 419		1 42 99 854
<b><u>Terminal Benefits</u></b>				
Contribution to Provident Fund		13 60 661		11 45 281
Contributory Pension Scheme		2 56 02 411		2 06 76 941
Family Benefit Fund		1 77 07 792		90 46 656
Contribution to Pension Trust		21 75 01 504		21 32 35 958
Others		8 19 495		4 83 000
<b>TOTAL</b>		<b>198 86 09 254</b>		<b>151 59 90 750</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 20 ADMINISTRATION AND OTHER EXPENSES

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		(₹)		(₹)
Rent		32 22 518		12 10 628
Rates & Taxes		1 88 69 460		72 03 905
Expenses incurred towards security arrangements		3 04 049		6 81 410
Insurance		3 750		
Telephone/Telegram and telex Charges		1 01 27 178		99 35 672
Postage & Stamps		28 76 216		10 34 171
Legal Charges		26 46 015		14 60 646
Auditors Remuneration		3 30 900		2 89 538
Consumer Ledger Maintenance Contract Charges		11 37 18 390		10 48 58 729
Incentive/Remuneration paid to Gram vidyuth pratinidhi (Micro Feeder Franchisee)		4 80 21 351		3 58 37 076
Conveyance, Travel & Vehicle expenses		6 03 50 864		5 81 57 928
Fees & Subscriptions				5 958
Books, periodicals and dairies		59 389		69 934
Printing & Stationery		90 63 110		92 60 798
Advertisement Expenses		57 01 898		49 05 671
Computer stationary and floppies		10 45 098		7 02 544
Contributions		30 58 354		6 22 096
Electricity Charges		3 61 32 060		3 15 61 763
Water Charges		1 37 804		78 096
Entertainment		1 79 847		89 895
Secret Service grant		60 000		1 25 369
Miscellaneous expenses		56 27 739		53 94 192
Freight & other material related expenses		2 23 39 408		3 09 47 742
<b>TOTAL</b>		<b>34 38 75 398</b>		<b>30 44 33 761</b>





## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 21 OTHER DEBITS

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		(₹)		(₹)
Asset Decommissioning Costs		2 03 25 511		( 3 85 878)
Small & Low value items Written off		66 826		1 55 198
Computer software		81 315		1 04 997
Bad & Doubtful Debts Written off / provided for		35 12 938		13 05 08 052
Miscellaneous losses		2 43 368		83 30 844
Compensation for Death, injuries & damages		1 28 33 264		73 96 795
<b>TOTAL</b>		<b>3 70 63 223</b>		<b>14 61 10 008</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 22 DEPRECIATION

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	(₹)		(₹)	
<b>On Fixed Assets in Use</b>				
Buildings & Other Civil Works	79 25 007		71 81 002	
Roads	3 11 209		2 77 825	
Plant and Machinery	14 24 75 827		13 60 53 442	
lines, cable, network etc.,	52 57 50 414		44 63 32 556	
Vehicles	3 59 142		2 76 130	
Furniture Fittings & Fixtures	11 01 733		12 28 538	
Office equipments	10 30 164	67 89 53 496	8 22 972	59 21 72 464
<b>Total</b>		<b>67 89 53 496</b>		<b>59 21 72 464</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 23 - INTEREST AND OTHER CHARGES

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		(₹)		(₹)
Interest on Loan from REC		43 49 03 281		38 13 01 321
Interest on Loan from Commercial Banks		13 58 97 413		22 42 17 025
Interest on IP Loan		---		23 49 590
Interest on Loan from PFC		12 21 39 370		7 00 12 870
Interest to Consumers		15 94 13 481		16 71 58 408
Interest on loans released by GoI through goK for PMGY works		91 87 710		98 24 287
Interest on Loans Borrowed by KPTCL from GoK towards APDRP Works		1 00 10 085		1 14 52 344
Interest on Loan From GoK towards Ganga Kalyan Works & Power Sector Automation		13 33 849		31 21 800
Other Interest and Finance Charges		19 10 978		65 00 185
Interest on Power Purchase Charges		89 00 78 242		58 26 53 332
<b>TOTAL</b>		<b>176 48 74 409</b>		<b>145 85 91 162</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 24 - EXPENSES CAPITALISED

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	(₹)		(₹)	
Interest and Finance Charges Capitalised	2 60 00 530		6 01 55 342	
Employees Cost Capitalised	--	2 60 00 530	70 00 869	6 71 56 211
<b>Total</b>		<b>2 60 00 530</b>		<b>6 71 56 211</b>



## GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

### SCHEDULE: 25 PRIOR PERIOD CREDITS / CHARGES

PARTICULARS	CURRENT YEAR (₹)		PREVIOUS YEAR (₹)	
<b>Prior Period Income</b>				
Excess provision for Depreciation in prior periods	67 29 652		2 64 49 899	
Interest and Finance Charges in prior periods			32 85 493	
Other Income relating to prior periods	55 83 83 292	56 51 12 944	2 88 91 344	5 86 26 736
<b>Less : Prior Period Expenses</b>				
Employee costs relating to previous years	15 61 936		15 14 891	
Depreciation under provided in previous years.	3 00 36 787		17 77 228	
Short Provision for Income tax - previous years			12 649	
Other Expenses relating to prior periods	39 97 025	3 55 95 748		33 04 768
<b>Net Prior Period Charges</b>		<b>(52 95 17 196)</b>		<b>(5 53 21 967)</b>



**GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED**

**Balance Sheet abstract and Company's general business profile**

(Pursuant to part IV of schedule VI to the company Act 1956)

<b>Registration details:</b>			
Registration No.	30436	State Code	8
Balance Sheet date	31.03.2011		
<b>Capital Raised during the year (Amount in ₹ thousands)</b>			
Public Issue	NIL	Right Issue	NIL
Bonds Issue	NIL	Private Placement	NIL
<b>Position of Mobilization and Deployment of Funds (Amount in ₹ thousands)</b>			
Total Liabilities	16503236	Total Assets	16503236
<b>Source of Funds (Amount in ₹ Thousands)</b>			
Paid-up Capital	3051361	Secured Loan	5596466
Share deposit	1050600	Unsecured Loan	178755
Reserves & surplus	3430407	Service Line & Security Deposits	3056088
Deferred Tax Liability	139559		
<b>Application of funds (Amount in ₹ thousands)</b>			
Net Fixed Assets	12834331	Investment	100
Net current Assets	2115852	Misc.(Preliminary)Expenses	0
P & L Account	1552953		
<b>Performance of Company (Amount in ₹ thousands)</b>			
Turn over	22424051	Total Expenditure	22181111
Profit Before tax	242941	Profit after tax	613084
Earnings per share(in ₹.)	4.71	Divided Rate %	--
<b>Name of three principal/Services of Company</b>			
Item code No.	NIL		
Product Description	Electricity		

As per our report of even date  
For P.K.Subramaniam & Co.,  
Chartered Accountants

for and on behalf of the Board of Directors

CA Veerbasanagouda Shivappa  
Partner  
Membersip No 208698  
Firm Regn .No.004135S

( G C Prakash, IAS )  
Managing Director

(M Mahadev)  
Director(Technical)

(Suresh Terdal)  
Financial Advisor

Place : Gulbarga

Date: 09/12/2011

## **SCHEDULE- 26**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS**

#### **I. NATURE OF OPERATIONS**

Gulbarga Electricity Supply Company Limited (GESCOM) is a Limited Company which is fully owned by Government of Karnataka. GESCOM is engaged in the business of retail distribution of power in the area of Northern Karnataka comprising Five Districts namely Bidar, Gulbarga, Raichur, Bellary and Koppal.

#### **II. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. METHOD OF ACCOUNTING**

1.1 The financial statements have been prepared under historical cost convention and on accrual basis of accounting in accordance with the provisions of the Electricity Supply Annual Accounts Rules 1985 (ESAAR) framed under the repealed Electricity (Supply) Act, 1948 as well as those of the Companies Accounting Standards Rules, 2006 and the Companies Act, 1956 to the extent not inconsistent with the repealed Electricity (Supply) Act, 1948.

1.2 In accordance with the provisions of Section 185(2)(d) of the Electricity Act, 2003, all rules made under sub – section(1) of Section 69 of the repealed Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified, as the case may be.

##### **1.3 Use of Estimates**

The preparation of financial statements in conformity with the provisions of ESAAR / generally accepted accounting

principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### **1.4 Changes in Accounting Policies Change in method of Revenue recognition**

Hitherto Company was recognizing the revenue from IP Set Installations on Quarterly billing basis. From the Current Financial year and onwards the revenue recognition is done on monthly basis. Due to change in this method, there is no impact on the profit or loss of the Company

##### **2. FIXED ASSETS**

2.1 Fixed assets acquired/constructed (other than land and buildings) are valued at standard rate (as per rates prescribed under "Common Schedule of Rates 2010-11" upto 30/6/2010 and "Common Schedule of Rates 2010-11" effective from 01.07.2010 onwards. The Schedule of Rates/Common Schedule of Rates is determined on the basis of previous purchase price and prevailing market rates), less accumulated depreciation.

- 2.2 Land and buildings are valued at actual cost of acquisition/ construction, less accumulated depreciation.
- 2.3 Assets and liabilities transferred from M/s. Karnataka Power Transmission Corporation Ltd., (KPTCL) consequent to unbundling of transmission and distribution activities, have been stated at the amount indicated by KPTCL in transfer document.
- 2.4 The Company has the practice of capitalizing the Assets after the receipt of Final Bill from the Contractor and are accepted/approved/certified by the competent authority. The borrowing costs attributable to the acquisition/construction of qualifying assets are capitalized as part of cost of such assets up to the date when such assets are ready for its intended use.
- 2.5 Employee cost of Officers / Officials involved in Construction & Maintenance Activity has been capitalized in the ratio of 70:30 between Capital and Revenue based on the time and effort put in by such officers/officials on a conservative basis.
- 2.6 Assets retired from active use and re-issued to works after necessary repairs/servicing are categorized at the written down value existing in the books of account at the time of retirement.

### **3. DEPRECIATION**

- 3.1 Depreciation on all assets (except lease hold land) is provided on straight line method at the rates as prescribed by CERC from time to time.
- 3.2 Depreciation on leasehold land is provided for the years on amortization rates arrived at on the basis of the lease period.
- 3.3 Plant and machinery costing Rs.500/- or less individually is depreciated at 100% in the year in which they are installed and put to use, in accordance with para 2.37 of Annexure-III of ESAAR, 1985.

- 3.4 Depreciation on all assets is provided up to 90% of the Original Cost.
- 3.5 Depreciation is provided from the month of commissioning of the assets.
- i) While assessing pro-rata depreciation in case of commissioning of new assets the full month shall be considered irrespective of the date of commissioning.
- ii) In respect of decommissioning of assets the pro-rata depreciation shall be considered up to the end of previous full month irrespective of date of de-commissioning of assets.

### **4. CAPITALWORK IN ROGRESS**

- 4.1 Materials issued to Capital Work in Progress are valued at standard rate (as per rates prescribed under “Common Schedule of Rates 2010-11” upto 30/6/2010 and “Common Schedule of Rates 2010-11” effective from 01.07.2010 onwards. The Schedule of Rates/Common Schedule of Rates is determined on the basis of previous purchase price and prevailing market rates). In respect of labour and direct overheads, the same is accounted at actual.

### **5. INVENTORY**

- 5.1 Inventories are valued at Standard Rate (as per rates prescribed under “Common Schedule of Rates 2010-11” upto 30/6/2010 and “Common Schedule of Rates 2010-11” effective from 01.07.2010 onwards. The Schedule of Rates/Common Schedule of rates is determined on the basis of previous purchase price and prevailing market rates)
- 5.2 Materials procured for capital and revenue works will be accounted in stocks only after verification, inspection



and clearance of the same by the competent authorities of the Company.

## **6. RURAL ELECTRIFICATION/TARIFF SUBSIDY FROM GOVERNMENT OF KARNATAKA**

6.1 Rural Electrification/ Tariff Subsidy is accounted as per Purchaser-Provider Model introduced by the Government of Karnataka during the Financial Year 2003-04 vide GO No. DE 35 PSR 2003 dated 25/4/2003 as modified vide GO No EN 48 PSR 2006 Bangalore Dated 13<sup>th</sup> June 2007 & subsequent guidelines issued in the matter from time to time.

## **7. RETIREMENT BENEFITS**

7.1 In respect of pension and gratuity, Contribution to KPTCL/ESCOMs Pension & Gratuity Trust is made based on the actuarial valuation and in accordance with the following formula evolved by the Trust:-

Pension 26.13% of (Basic Pay + Dearness pay + Dearness Allowance)  
Gratuity 2.24% of (Basic Pay + Dearness pay)

The Company provides for Pension and Gratuity, a defined benefit retirement plan covering eligible employees. The Plan provides for a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and the terms of employment. Liabilities with regard to pension and gratuity are determined by actuarial valuation, based upon which, the company contributes all ascertained liabilities to the KPTCL/ESCOMs Pension and Gratuity Fund Trust.

7.2 The liability towards Leave Encashment and Family Benefit Fund has been provided based on actuarial valuation made as at 31.03.2011.

## **8. REVENUE RECOGNITION**

8.1 Revenue from sale of energy is accounted on accrual basis.

8.2 Provision for unbilled revenue in respect of LT installations billed on bimonthly basis is recognized as the average of February and March bills of the year. In respect of LT installations billed on monthly basis, provision for unbilled revenue is recognized to the extent of 50% of the demand raised in the month of March. In respect of HT installations, the bills issued with regard to consumption during the month of March are taken into account.

8.3 The Tariff/Rural Electrification Subsidy released by Government of Karnataka is recognized as part of Revenue in accordance of the Government of Karnataka order No EN 48 PSR 2006 Bangalore Dated 13<sup>th</sup> June 2007.

8.4 In respect of amount recovered from Contractors/Suppliers towards delay in execution of works/supplies, the amount is recognized as income upon disposal of the delay condonation request of the contractor/supplier, by the competent authority. Until such time the same is accounted under current liabilities. In the absence of any such request, the amount so recovered would be treated as penalty and credited to miscellaneous revenue.

## **9. PROVISION FOR BAD & DOUBTFUL DEBTS**

9.1 Provision for bad and doubtful debts is made at 4% (as per para 4.2 of Annexure V of ESAAR, 1985) on the balance of sundry debtors for sale of power outstanding as at the end of the year in the case of LT consumers.

9.2 In case of HT consumers, 100% provision is made on case to case basis,

wherever necessary and in remaining cases, a provision @ 4% is made on the balance of sundry debtors outstanding as at the end of the year.

## **10. ACCOUNTING FOR GRANTS**

10.1 As per para 2.33/2.34/2.35 of Electricity Supply Annual Accounts Rules, 1985, Grants received towards capital expenditure are included in capital reserves and are neither diminished as deferred income nor have been reduced from cost of assets.

10.2 Other grants are credited to the Profit & Loss account.

## **11. CONTRIBUTIONS FROM CONSUMERS:**

11.1 As per para 2.33/2.34/2.35 of Electricity Supply Annual Accounts Rules, 1985, contributions received for capital expenditure are included in capital reserves and are neither diminished as deferred income nor have been reduced from cost of assets.

## **12. RELEASED AND SCRAPPED ASSETS:**

12.1 Assets not in use and released assets are accounted at Written Down Value.

12.2 Scrapped assets are accounted at the residual value i.e., at 10% of the original cost of the asset.

12.3 The transformers released during the year are removed from assets account only after they are returned to stores.

## **13. DEPOSIT CONTRIBUTION WORKS:**

13.1 In cases of Deposit Contribution Works and self-execution of works by consumers (under the supervision of the officials of the Company), the outlay incurred in both the cases is treated as contribution from consumer towards

cost of capital works and the same is capitalized in the books of the Company.

## **14. BORROWING COST:**

14.1 Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs is eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.

14.2 Other borrowing costs are recognized as an expense in the period in which they are incurred.

## **15. TAXATION:**

15.1 Current Taxes are measured at the amount expected to be paid using the applicable tax rates and tax laws.

15.2 In accordance with the mandatory Accounting Standard-22 issued by the Institute of Chartered Accountants of India, relating to accounting for taxes on income, deferred taxes arising out of timing differences are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

## **16. MATERIAL COST VARIANCE ACCOUNT**

16.1 The Company is following the Standard Rates for accounting of material receipts and issues in accordance with the guidelines contained in the Electricity Supply Annual Accounts Rules, 1985.

- 16.2 The variation in purchase price over the Standard Rate is credited/debited to the “Material Cost Variance account”.
- 16.3 The balance in the “Material Cost Variance Account” at the year end will be treated as follows:
- a. Credit balance is credited to a reserve called ‘Reserve Material Cost Variance’.
  - b. Debit Balance is debited to the “Reserve for Material Cost Variance”. If as a result of such debit, net balance in this reserve account is a debit balance, the amount of debit balance shall be charged to revenue account for the year.

## **17. SEGMENT REPORTING:**

- 17.1 The Company is engaged in the activity of distribution of electricity.
- 17.2 Considering the Geographical Area of Operations, Economic and political conditions affecting the operations of the company there is no identifiable reporting segment. Hence no Segment wise report is furnished.

## **18. INVESTMENTS**

- 18.1 Long Term Investments are valued at Cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

## **19. IMPAIRMENT**

- 19.1 The Carrying amounts of assets are reviewed at each balance sheet date, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows are

discounted to their present value at the weighted average cost of capital.

- 19.2 After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- 19.3 A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

## **20. EARNING PER SHARE**

- 20.1 Basic Earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

## **21. PROVISIONS**

- 21.1 A provision is recognized when GESCOM has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provision are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## **22. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents in the Balance Sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

## II. NOTES FORMING PART OF ACCOUNTS

### BALANCE SHEET.

- Consequent to unbundling of transmission and distribution activities and formation of Electricity Distribution Companies, the Government of Karnataka has transferred certain loans taken by M/s KPTCL to the Company, as part of transfer of assets and liabilities and the same has been accounted in the books of account
- The title deeds of some of the properties transferred to the Company from KPTCL are being obtained/built up.
- Sundry debtors for sale of power include Rs 17.19 crores pertaining to disputes raised by consumers and are pending before various

appellate authorities and courts, as detailed below:-

Sl. No	Cases Pending before	No. of Cases	Amount involved (Rs. In Crores)
1	Superintending Engineer (El)	55	0.36
2	Chief Engineer (Elec)	8	0.29
3	Corporate Office	6	8.31
4	Courts	53	8.22
5	Electrical Inspectorate	1	0.01
<b>TOTAL</b>		<b>123</b>	<b>17.19</b>

#### 4.b Category wise break up of Sundry Debtors as on 31.03.2011

Tariff	Category	Sundry Debtors			Dues from Permanently disconnected Installations	Provision for Un-billed revenue
		More than Six months	Less than Six months	Total		
LT 1	Bhagyajyoti	42.99	8.18	51.18	0.00	2.35
LT 2	Domestic lighting, AEH & Pvt Edu Institutions	27.63	54.00	81.63	46.41	9.69
LT 3	Commercial	2.86	3.47	6.33	4.09	5.37
LT 4a	Irrigation pump sets up to and inclusive of 10 HP	307.28	362.96	670.24	0.00	47.45
LT 4b	Irrigation pump sets more than 10 HP	2.05	2.75	4.80	0.01	0.08
LT 4c	Horticulture	1.59	-0.49	1.10	0.00	0.01
LT 5	Industrial	1.26	3.79	5.05	3.52	3.47

LT 6	Water Supply / Street Light Installations	203.98	172.28	376.26	0.00	6.13
LT 7	Temporary	-2.25	-1.64	-3.89	0.02	0.71
<b>i</b>	<b>LT Total</b>	<b>587.39</b>	<b>605.30</b>	<b>1192.69</b>	<b>54.05</b>	<b>75.28</b>
HT 1	Water Supply	4.64	3.12	7.76	0.00	2.51
HT 2a	Industrial	26.36	22.40	48.76	9.09	44.59
HT 2b	Commercial	1.42	0.05	1.47	2.63	3.01
HT 3	LIS	8.88	2.90	11.78	0.13	1.14
HT 4	Colony Water Supply	-0.08	-0.14	-0.22	0.00	0.62
<b>ii</b>	<b>HT Total</b>	<b>41.23</b>	<b>28.33</b>	<b>69.56</b>	<b>11.85</b>	<b>51.87</b>
<b>iii</b>	<b>Grand Total</b>	<b>628.62</b>	<b>633.63</b>	<b>1262.25</b>	<b>65.91</b>	<b>127.15</b>

5. Transactions with KPTCL/SPPCC/PCKL & ESCOMs, KPTCL/ESCOMs Pension & Gratuity Trust and KPCL are subject to confirmation and reconciliation.
6. The balances under Sundry Debtors, Sundry Creditors, Deposits, Secured Loans, Unsecured loans, other loan funds, Loans and Advances to suppliers, contractors and Inter Unit Accounts are subject to confirmation and reconciliation.
7. The reconciliation of figures in respect of differences between ledger account balances and the balances in the respective subsidiary registers/schedules maintained for the purpose in respect of Sundry Debtors, Sundry Creditors, Advance to suppliers and other suspense balances transferred to Divisions as on 01.06.2002 is in progress.
8. An amount of Rs. 99.37 Crores is transferred by GoK in the Opening Balance of the Company, as provision towards Bad & doubtful consumer receivables. In accordance with the

clause (b) of the Government of Karnataka order No DE 48 PSR 2003 dated 31.05.2003, the same is not to be adjusted against any consumer categories at the Sub Divisions of the ESCOMs. The provision towards Doubtful dues from Consumers amounting to Rs. 151.12 crores is inclusive of the aforesaid provision.

9. Company has made an investment of Rs. 1,00,000/- towards subscription of shares in Power Company of Karnataka Limited during FY 08. The shares of the Company are unlisted as on date and hence adjustment with respect to the current valuation of the investment is not accounted.

#### 10. **Contingent Liabilities:**

- a) There are twenty two cases pending in Labour Officer / Courts / Consumer For against the Company for compensation for loss of life on account of electrocution/electrical accidents and others involving an amount of Rs 58.10 lakhs.

- b) Two cases pertaining to the employees (permanent / temporary) are pending before the appellate authorities / Court. The financial implication depends on the outcome of the case and has not been crystallized as at.
- c) There are 39 cases pertaining to power purchase agreement, tariff, payment of dues, etc which are pending before KERC/CERC/ATE and a decision thereon is awaited.

The company has not made any provision on account of the above items

### **PROFIT & LOSS ACCOUNT**

- 11 State Transmission Utilities are barred from power trading activities with effect from 10.06.2005, in accordance with the provisions of Section 39(1) of the Electricity Act, 2003. Consequently the State Government has decided that the ESCOMs would directly purchase power from the Generating Companies and that the Power Purchase Agreements already entered into by the KPTCL would be assigned to the ESCOMs with effect from 10.06.2005. The Government had constituted a State Power Procurement Coordination Centre (SPPCC) under the chairmanship of Principal Secretary, Energy Department, inter-alia, consisting of MDs of KPCL, KPTCL & ESCOMs etc. In respect of power supplied by KPCL, Central Generating Stations and Conventional IPPs, the same would be allocated between ESCOMs on the basis of share of each ESCOM in total energy consumption during the year. Accordingly, the Government has issued another GO No. EN 131 PSR 2003 dated 06.07.2005 indicating the share of GESCOM and

revised subsequently by GoK/KERC from time to time:

Sl. No	Source	Percentage share
1	Sharavathy & Linganamakki	18.3300
2	RTPS, BTPS, CGS	13.2600
4	NCE (Allocated to GESCOM)	Actual
5	For other remaining sources	13.2600

Depending upon the review of power requirement of ESCOMs and the total availability the above ratio of allocation is modified from time to time by the Government and the same is binding upon GESCOM.

These PPAs would be assigned to all the ESCOMs and each ESCOM are signatory to the PPA. An exercise is carried out at the year end to allocate the energy on the basis of the actual input and any difference as per the monthly share allocated and actual energy input is accounted during the financial year itself.

In order to facilitate trading and coordinate in carrying out tariff based competitive bidding process on behalf ESCOMs for establishment of various power projects and also to undertake related activities the Government of Karnataka has accorded approval vide GO No EN 138 PPC 2006, Bangalore dated 07.04.2007 for constitution of SPV viz., Power Company of Karnataka Limited (PCKL).

Further, the Government of Karnataka in its order No EN 158 PPC 2000 dated 01.09.2007 has accorded approval for merger of SPPCC with PCKL. Consequently, the operations hitherto carried out by the SPPCC are being taken over by the newly constituted PCKL. The Company accounts all

power purchase costs based on the intimations received from PCKL.

The Energy Balancing for the financial year ending 31/3/2009, 31/3/2010 & 31/3/2011 has been communicated by the SLDC and PCKL as follows:

Year	Excess Energy drawn by GESCOM (-ve indicates receivable from other ESCOMs) (in MU)	Financial implication- Payable to other ESCOMs (-ve indicates receivable from other ESCOMs) (Rs in Crs.)
2008-09	331.159	71.61
2009-10	161.889	31.35
2010-11	(-) 548.18	(-) 159.75

The basis of the energy balancing adopted for the above financial years differs from that of FY 07 & FY 08. Further the Energy balancing figures are yet to be accepted by all the other ESCOMs. In view of the above and also that the same is yet to be approved by the Energy Department, the financial implication of the Energy Balancing could not be accounted during the financial year.

12. **Subsidy Claimed from GoK under P P Model.**

a) Rural Electrification / Tariff Subsidy is accounted as per Purchaser-Provider Model introduced by the Government of Karnataka during the Financial Year 2003-04 vide GO No. DE 35 PSR 2003 dated 25/4/2003 and subsequent guidelines issued from time to time. During the year 2006-07, the GoK vide letter No. EN 48 PSR 2006 has clarified that "Only the amount of subsidy as intimated by State Government needs to be taken into account by ESCOMs while preparing their Accounts and Balance Sheet". Effective from December 2009 and onwards, the Tariff Subsidy is claimed from Government of Karnataka as per the Commission

Determined Tariff applicable to the LT 1 and LT 4 a category (as per applicable Tariff Order of KERC) and the same is included in the Revenue from Sale of Power

b) the review petition filed by the Government of Karnataka against the Tariff subsidy and the true up exercise carried out for the financial years FY 08 and FY 09, has been disposed off by the Hon'ble Commission and the True up impact as crystallized in tariff order 2009 being Rs 383 Crores has been ordered to be released in 36 installments by Government of Karnataka starting from Jan 2011. Accordingly an amount of Rs. 31.98 Crores being the amount due for the 3 installments during FY 11, has been accounted as subsidy receivable from GoK on accrual basis.

c) Based on the orders of the Hon'ble Commission in respect of review petition filed by Government of Karnataka, an amount of Rs. 165.29 crores is accounted as additional subsidy receivable from Government of Karnataka for FY 10 on accrual basis.

d) The revenue demand in the case of metered BJ/KJ installations is claimed in accordance with GO No IN 145 PSR 2004 Bangalore dated 15.03.2005/ Current Tariff Order and included in the Tariff Subsidy receivable from the Government of Karnataka.

13. Payment of Interest, guarantee commission and principal amount paid to financial institutions in respect of some of the loans accounts, during the year 2010-11 has been made by KPTCL on behalf of the Company. The above amounts have been recorded in the books of account as per the intimations of KPTCL.

14. Managerial remuneration paid/payable and included in Employee Costs and Administration and General Expenses for the financial year 2010-11 to the directors are as follows:-

Sl. No.	Particulars	Amount (in Rupees)	
<b>WHOLE TIME DIRECTORS MANAGING DIRECTOR &amp; DIRECTOR (TECH)]</b>			
		Current year	Previous year
1	Salary and allowances	13,60,861	14,91,147
2	Ex-gratia	7000	7,000
3	Pension and Gratuity contribution	2,89,883	3,36,723
4	Travelling expenses	3,43,090	2,55,522
<b>OTHER DIRECTORS</b>			
5	Sitting Fees	24,000	24,000
6	Travelling expenses	4,065	-
<b>TOTAL</b>		<b>2028899</b>	<b>21,14,392</b>

15. The Company provides subsidized electricity to its employees, who were appointed on or before 08.05.1997. The difference amount in billing the units at the subsidized rates to the employees and the applicable tariff is recognized as sales and the liability on this account is debited to electricity charges account.

Under the Subsidized power supply category, 4.20 MU of energy was supplied to its employees against which, the Company has charged about Rs. 109 lakhs to the P & L A/c. An amount of Rs. 25 lakhs is receivable from its employees on the balance sheet date.

16. The details of auditors' remuneration are as under:-

		Current year (Rs.)	Previous year (Rs.)
i)	Statutory Audit Fees	187500	1,87,500
ii)	Tax Audit &	75000	75,000

	Certification Fees		
iii)	Service Tax	27038	27038
	<b>Sub Total</b>	<b>289538</b>	<b>2,89,538</b>
iv)	Reimbursement of out of pocket expenses & certification charges	98200	51,474
	<b>Sub Total</b>	<b>98200</b>	<b>51474</b>
	<b>Grand Total</b>	<b>387738</b>	<b>341012</b>

### OTHERS

17. In respect of assets shared with KPTCL, the ownership and title vests with KPTCL and as such, they are not reflected in the books of accounts of the Company. But the share of maintenance expenditure in respect of such assets is charged to Profit & Loss account.

18. There are a few negative balances against assets in the statement of capital expenditure, works in progress, stock and suspense heads. The same is under reconciliation.

19. **Micro, Small and Medium Enterprises Development Act, 2006:** Under Micro, Small Medium Enterprises Development Act, 2006 read with notification no:8-7-2006-CDN dt17-05-2007, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in the view of the management, the impact of interest, if any, that may be payable in accordance with provisions of this Act is not expected to be material. Also no amounts are due to small scale industrial undertaking to whom the Company owes and which is outstanding for more than 30 days as at 31<sup>st</sup> March 2011.

20. The details of energy input, sale of energy and transmission and distribution losses during the year 2010-11 are as follows:-



		Current year	Previous year
i)	Energy Input at Interface Point (in MU)	5991.96	5764.01
ii)	Metered Category Sales (in MU)	2366.82	2125.30
iii)	Unmetered Category Sales (in MU)	2305.07	2166.91
iv)	Total Sales (in MU)	4671.89	4292.21
v)	Distribution losses (Tech & Comml.) (in MU)	1321.83	1471.80
vi)	Percentage of distribution losses	22.06 %	25.53%

21. Previous year's figures have been re-grouped, reclassified and rearranged wherever necessary to conform to the current year's presentation.
22. The disclosures relating to Key Management Personnel (being Directors on the Boards of KPTCL / Other ESCOMs and the Company) as required under Accounting Standard-18 issued by the Institute of Chartered Accountants of India are as under:-

Key Management Personnel (as on 31.03.2011)

:

Smt. Lata Krishna Rao IAS  
Shri Munish Moudgil, IAS  
Shri. P.K. Garg, IPS  
Shri Rajkumar, Khatri, IAS  
Shri. Naveen Kumar, IA & AS  
Shri. S. Pratap Kumar  
Shri L Ravi  
Shri. N. Nagaraju

**Remuneration** Rs 7,67,244/-

**Sitting fees** Rs 19,000 /-

23. Earnings and expenditure in foreign exchange: NIL
24. All figures have been rounded off to the nearest rupee.
25. In accordance with mandatory Accounting Standard-22 relating to Accounting for taxes on income, the Company has reversed a sum

of Rs 37,01,43,110 from deferred tax liability for the year 2010-11. The components of the deferred taxes as shown in the balance sheet are as under:-

	As on 31.03.2011	As on 31.03.2010
Deferred Tax liability on account of Fixed Assets	1959489030	1706257346
Less: WDV on account of Consumer Contribution not being reversed	1139168814	----
(A)	820320217	1706257346
Deferred Tax asset on account of		
i) Provision towards Doubtful debts	618215314	512453882
ii) Other statutory disallowances	62545425	45457167
iii) Unabsorbed loss / Depreciation	--	638643711
(B)	680760739	1196554759
Net deferred tax liability@ 33.99% (A - B)	139559478	509702587

27. Movement in CWIP

Opening Balance	1616835046
Additions	2206687967
Capitalized / Transfer	3186788338
Closing Balance	636734675

27. In accordance with the provisions of Section 185(2)(d) of the Electricity Act, 2003, all rules made under sub-section (1) of Section 69 of the repealed Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified. Accordingly, the financial statements have been prepared based on the rules laid down under the Electricity (Supply) Act, 1948, since modified rules have not yet been notified under the Electricity Act, 2003.
28. Common expenditure incurred by Divisions/Circles/Zones and Administrative

offices is not apportioned and debited to Capital Expenditure as the costing method and procedures are not yet evolved.

29. The C & AG vide draft para vide CARC/PDP-22/AR-2009-10/2010-11/B-39 dated 06/05/2010 has pointed out that the payment of Exgratia to its employees during 2006-07, 2007-08 & 2008-09 amount to Rs. 3.78 crores, without the approval of the Government of Karnataka is irregular. The personnel related matters such as Revision of Pay Scale, Bonus, regulation of DA and pension etc are being to regulated in GESCOMs based on the orders issued by KPTCL, as ESCOM wise employee segregation is not made. The provision made during FY -10 & FY 11 is in anticipation of the approval of the Government of Karnataka.
- 30 The Annual Accounts for FY 10 of the Company which were approved by the

Board on 25/08/2009 have been revised in light of the observations made by the Comptroller and Auditor General of India. The said revision has resulted in :

- a. The Power purchase cost will increase by Rs. 27,89,77,720/-
- b. Decrease in Revenue from Sale of Power by Rs. 27,09,817/-
- c. Increase in Depreciation by Rs. 43,44,093/-
- d. Fixed Assets Decreased by Rs. 43,44,093/-
- e. Decrease in Other Income by Rs. 61,29,136/-
- f. Cash & Bank Balance decreased by Rs. 61,29,136/-
- g. Increase in prior period income by Rs. 27,51,17,846/-
- h. Current Liabilities increased by Rs. 38,59,874/-
- i. Gross Profit & Net Profit decreased by Rs. 1,70,42,920/-

As per our report attached  
for **P K Subramanian & Co,**  
Chartered Accountants

for and on behalf of the Board of Directors

**CA Veerabasanagouda Shivappa**  
Partner  
Membership No: 208698  
Firm Regn: 0041355

**(G C Prakash IAS)**  
Managing Director

**(M Mahadev)**  
Director (Technical)

**(Suresh Terdal)**  
Financial Advisor

Place : Gulbarga  
Date : 09/Dec/2011

## **SCHEDULE- 26**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS**

#### **I. NATURE OF OPERATIONS**

Gulbarga Electricity Supply Company Limited (GESCOM) is a Limited Company which is fully owned by Government of Karnataka. GESCOM is engaged in the business of retail distribution of power in the area of Northern Karnataka comprising Five Districts namely Bidar, Gulbarga, Raichur, Bellary and Koppal.

#### **II. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. METHOD OF ACCOUNTING**

1.1 The financial statements have been prepared under historical cost convention and on accrual basis of accounting in accordance with the provisions of the Electricity Supply Annual Accounts Rules 1985 (ESAAR) framed under the repealed Electricity (Supply) Act, 1948 as well as those of the Companies Accounting Standards Rules, 2006 and the Companies Act, 1956 to the extent not inconsistent with the repealed Electricity (Supply) Act, 1948.

1.2 In accordance with the provisions of Section 185(2)(d) of the Electricity Act, 2003, all rules made under sub – section(1) of Section 69 of the repealed Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified, as the case may be.

##### **1.3 Use of Estimates**

The preparation of financial statements in conformity with the provisions of ESAAR / generally accepted accounting

principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### **1.4 Changes in Accounting Policies Change in method of Revenue recognition**

Hitherto Company was recognizing the revenue from IP Set Installations on Quarterly billing basis. From the Current Financial year and onwards the revenue recognition is done on monthly basis. Due to change in this method, there is no impact on the profit or loss of the Company

##### **2. FIXED ASSETS**

2.1 Fixed assets acquired/constructed (other than land and buildings) are valued at standard rate (as per rates prescribed under "Common Schedule of Rates 2010-11" upto 30/6/2010 and "Common Schedule of Rates 2010-11" effective from 01.07.2010 onwards. The Schedule of Rates/Common Schedule of Rates is determined on the basis of previous purchase price and prevailing market rates), less accumulated depreciation.

- 2.2 Land and buildings are valued at actual cost of acquisition/ construction, less accumulated depreciation.
- 2.3 Assets and liabilities transferred from M/s. Karnataka Power Transmission Corporation Ltd., (KPTCL) consequent to unbundling of transmission and distribution activities, have been stated at the amount indicated by KPTCL in transfer document.
- 2.4 The Company has the practice of capitalizing the Assets after the receipt of Final Bill from the Contractor and are accepted/approved/certified by the competent authority. The borrowing costs attributable to the acquisition/construction of qualifying assets are capitalized as part of cost of such assets up to the date when such assets are ready for its intended use.
- 2.5 Employee cost of Officers / Officials involved in Construction & Maintenance Activity has been capitalized in the ratio of 70:30 between Capital and Revenue based on the time and effort put in by such officers/officials on a conservative basis.
- 2.6 Assets retired from active use and re-issued to works after necessary repairs/servicing are categorized at the written down value existing in the books of account at the time of retirement.

### **3. DEPRECIATION**

- 3.1 Depreciation on all assets (except lease hold land) is provided on straight line method at the rates as prescribed by CERC from time to time.
- 3.2 Depreciation on leasehold land is provided for the years on amortization rates arrived at on the basis of the lease period.
- 3.3 Plant and machinery costing Rs.500/- or less individually is depreciated at 100% in the year in which they are installed and put to use, in accordance with para 2.37 of Annexure-III of ESAAR, 1985.

- 3.4 Depreciation on all assets is provided up to 90% of the Original Cost.
- 3.5 Depreciation is provided from the month of commissioning of the assets.
- i) While assessing pro-rata depreciation in case of commissioning of new assets the full month shall be considered irrespective of the date of commissioning.
- ii) In respect of decommissioning of assets the pro-rata depreciation shall be considered up to the end of previous full month irrespective of date of de-commissioning of assets.

### **4. CAPITALWORK IN ROGRESS**

- 4.1 Materials issued to Capital Work in Progress are valued at standard rate (as per rates prescribed under “Common Schedule of Rates 2010-11” upto 30/6/2010 and “Common Schedule of Rates 2010-11” effective from 01.07.2010 onwards. The Schedule of Rates/Common Schedule of Rates is determined on the basis of previous purchase price and prevailing market rates). In respect of labour and direct overheads, the same is accounted at actual.

### **5. INVENTORY**

- 5.1 Inventories are valued at Standard Rate (as per rates prescribed under “Common Schedule of Rates 2010-11” upto 30/6/2010 and “Common Schedule of Rates 2010-11” effective from 01.07.2010 onwards. The Schedule of Rates/Common Schedule of rates is determined on the basis of previous purchase price and prevailing market rates)
- 5.2 Materials procured for capital and revenue works will be accounted in stocks only after verification, inspection

and clearance of the same by the competent authorities of the Company.

## **6. RURAL ELECTRIFICATION/TARIFF SUBSIDY FROM GOVERNMENT OF KARNATAKA**

6.1 Rural Electrification/ Tariff Subsidy is accounted as per Purchaser-Provider Model introduced by the Government of Karnataka during the Financial Year 2003-04 vide GO No. DE 35 PSR 2003 dated 25/4/2003 as modified vide GO No EN 48 PSR 2006 Bangalore Dated 13<sup>th</sup> June 2007 & subsequent guidelines issued in the matter from time to time.

## **7. RETIREMENT BENEFITS**

7.1 In respect of pension and gratuity, Contribution to KPTCL/ESCOMs Pension & Gratuity Trust is made based on the actuarial valuation and in accordance with the following formula evolved by the Trust:-

Pension 26.13% of (Basic Pay + Dearness pay + Dearness Allowance)  
Gratuity 2.24% of (Basic Pay + Dearness pay)

The Company provides for Pension and Gratuity, a defined benefit retirement plan covering eligible employees. The Plan provides for a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and the terms of employment. Liabilities with regard to pension and gratuity are determined by actuarial valuation, based upon which, the company contributes all ascertained liabilities to the KPTCL/ESCOMs Pension and Gratuity Fund Trust.

7.2 The liability towards Leave Encashment and Family Benefit Fund has been provided based on actuarial valuation made as at 31.03.2011.

## **8. REVENUE RECOGNITION**

8.1 Revenue from sale of energy is accounted on accrual basis.

8.2 Provision for unbilled revenue in respect of LT installations billed on bimonthly basis is recognized as the average of February and March bills of the year. In respect of LT installations billed on monthly basis, provision for unbilled revenue is recognized to the extent of 50% of the demand raised in the month of March. In respect of HT installations, the bills issued with regard to consumption during the month of March are taken into account.

8.3 The Tariff/Rural Electrification Subsidy released by Government of Karnataka is recognized as part of Revenue in accordance of the Government of Karnataka order No EN 48 PSR 2006 Bangalore Dated 13<sup>th</sup> June 2007.

8.4 In respect of amount recovered from Contractors/Suppliers towards delay in execution of works/supplies, the amount is recognized as income upon disposal of the delay condonation request of the contractor/supplier, by the competent authority. Until such time the same is accounted under current liabilities. In the absence of any such request, the amount so recovered would be treated as penalty and credited to miscellaneous revenue.

## **9. PROVISION FOR BAD & DOUBTFUL DEBTS**

9.1 Provision for bad and doubtful debts is made at 4% (as per para 4.2 of Annexure V of ESAAR, 1985) on the balance of sundry debtors for sale of power outstanding as at the end of the year in the case of LT consumers.

9.2 In case of HT consumers, 100% provision is made on case to case basis,

wherever necessary and in remaining cases, a provision @ 4% is made on the balance of sundry debtors outstanding as at the end of the year.

## **10. ACCOUNTING FOR GRANTS**

10.1 As per para 2.33/2.34/2.35 of Electricity Supply Annual Accounts Rules, 1985, Grants received towards capital expenditure are included in capital reserves and are neither diminished as deferred income nor have been reduced from cost of assets.

10.2 Other grants are credited to the Profit & Loss account.

## **11. CONTRIBUTIONS FROM CONSUMERS:**

11.1 As per para 2.33/2.34/2.35 of Electricity Supply Annual Accounts Rules, 1985, contributions received for capital expenditure are included in capital reserves and are neither diminished as deferred income nor have been reduced from cost of assets.

## **12. RELEASED AND SCRAPPED ASSETS:**

12.1 Assets not in use and released assets are accounted at Written Down Value.

12.2 Scrapped assets are accounted at the residual value i.e., at 10% of the original cost of the asset.

12.3 The transformers released during the year are removed from assets account only after they are returned to stores.

## **13. DEPOSIT CONTRIBUTION WORKS:**

13.1 In cases of Deposit Contribution Works and self-execution of works by consumers (under the supervision of the officials of the Company), the outlay incurred in both the cases is treated as contribution from consumer towards

cost of capital works and the same is capitalized in the books of the Company.

## **14. BORROWING COST:**

14.1 Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs is eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.

14.2 Other borrowing costs are recognized as an expense in the period in which they are incurred.

## **15. TAXATION:**

15.1 Current Taxes are measured at the amount expected to be paid using the applicable tax rates and tax laws.

15.2 In accordance with the mandatory Accounting Standard-22 issued by the Institute of Chartered Accountants of India, relating to accounting for taxes on income, deferred taxes arising out of timing differences are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

## **16. MATERIAL COST VARIANCE ACCOUNT**

16.1 The Company is following the Standard Rates for accounting of material receipts and issues in accordance with the guidelines contained in the Electricity Supply Annual Accounts Rules, 1985.

- 16.2 The variation in purchase price over the Standard Rate is credited/debited to the “Material Cost Variance account”.
- 16.3 The balance in the “Material Cost Variance Account” at the year end will be treated as follows:
- a. Credit balance is credited to a reserve called ‘Reserve Material Cost Variance’.
  - b. Debit Balance is debited to the “Reserve for Material Cost Variance”. If as a result of such debit, net balance in this reserve account is a debit balance, the amount of debit balance shall be charged to revenue account for the year.

## **17. SEGMENT REPORTING:**

- 17.1 The Company is engaged in the activity of distribution of electricity.
- 17.2 Considering the Geographical Area of Operations, Economic and political conditions affecting the operations of the company there is no identifiable reporting segment. Hence no Segment wise report is furnished.

## **18. INVESTMENTS**

- 18.1 Long Term Investments are valued at Cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

## **19. IMPAIRMENT**

- 19.1 The Carrying amounts of assets are reviewed at each balance sheet date, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows are

discounted to their present value at the weighted average cost of capital.

- 19.2 After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- 19.3 A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

## **20. EARNING PER SHARE**

- 20.1 Basic Earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

## **21. PROVISIONS**

- 21.1 A provision is recognized when GESCOM has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provision are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## **22. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents in the Balance Sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

## II. NOTES FORMING PART OF ACCOUNTS

### BALANCE SHEET.

- Consequent to unbundling of transmission and distribution activities and formation of Electricity Distribution Companies, the Government of Karnataka has transferred certain loans taken by M/s KPTCL to the Company, as part of transfer of assets and liabilities and the same has been accounted in the books of account
- The title deeds of some of the properties transferred to the Company from KPTCL are being obtained/built up.
- Sundry debtors for sale of power include Rs 17.19 crores pertaining to disputes raised by consumers and are pending before various

appellate authorities and courts, as detailed below:-

Sl. No	Cases Pending before	No. of Cases	Amount involved (Rs. In Crores)
1	Superintending Engineer (El)	55	0.36
2	Chief Engineer (Elec)	8	0.29
3	Corporate Office	6	8.31
4	Courts	53	8.22
5	Electrical Inspectorate	1	0.01
<b>TOTAL</b>		<b>123</b>	<b>17.19</b>

#### 4.b Category wise break up of Sundry Debtors as on 31.03.2011

Tariff	Category	Sundry Debtors			Dues from Permanently disconnected Installations	Provision for Un-billed revenue
		More than Six months	Less than Six months	Total		
LT 1	Bhagyajyoti	42.99	8.18	51.18	0.00	2.35
LT 2	Domestic lighting, AEH & Pvt Edu Institutions	27.63	54.00	81.63	46.41	9.69
LT 3	Commercial	2.86	3.47	6.33	4.09	5.37
LT 4a	Irrigation pump sets up to and inclusive of 10 HP	307.28	362.96	670.24	0.00	47.45
LT 4b	Irrigation pump sets more than 10 HP	2.05	2.75	4.80	0.01	0.08
LT 4c	Horticulture	1.59	-0.49	1.10	0.00	0.01
LT 5	Industrial	1.26	3.79	5.05	3.52	3.47



LT 6	Water Supply / Street Light Installations	203.98	172.28	376.26	0.00	6.13
LT 7	Temporary	-2.25	-1.64	-3.89	0.02	0.71
<b>i</b>	<b>LT Total</b>	<b>587.39</b>	<b>605.30</b>	<b>1192.69</b>	<b>54.05</b>	<b>75.28</b>
HT 1	Water Supply	4.64	3.12	7.76	0.00	2.51
HT 2a	Industrial	26.36	22.40	48.76	9.09	44.59
HT 2b	Commercial	1.42	0.05	1.47	2.63	3.01
HT 3	LIS	8.88	2.90	11.78	0.13	1.14
HT 4	Colony Water Supply	-0.08	-0.14	-0.22	0.00	0.62
<b>ii</b>	<b>HT Total</b>	<b>41.23</b>	<b>28.33</b>	<b>69.56</b>	<b>11.85</b>	<b>51.87</b>
<b>iii</b>	<b>Grand Total</b>	<b>628.62</b>	<b>633.63</b>	<b>1262.25</b>	<b>65.91</b>	<b>127.15</b>

5. Transactions with KPTCL/SPPCC/PCKL & ESCOMs, KPTCL/ESCOMs Pension & Gratuity Trust and KPCL are subject to confirmation and reconciliation.
6. The balances under Sundry Debtors, Sundry Creditors, Deposits, Secured Loans, Unsecured loans, other loan funds, Loans and Advances to suppliers, contractors and Inter Unit Accounts are subject to confirmation and reconciliation.
7. The reconciliation of figures in respect of differences between ledger account balances and the balances in the respective subsidiary registers/schedules maintained for the purpose in respect of Sundry Debtors, Sundry Creditors, Advance to suppliers and other suspense balances transferred to Divisions as on 01.06.2002 is in progress.
8. An amount of Rs. 99.37 Crores is transferred by GoK in the Opening Balance of the Company, as provision towards Bad & doubtful consumer receivables. In accordance with the

clause (b) of the Government of Karnataka order No DE 48 PSR 2003 dated 31.05.2003, the same is not to be adjusted against any consumer categories at the Sub Divisions of the ESCOMs. The provision towards Doubtful dues from Consumers amounting to Rs. 151.12 crores is inclusive of the aforesaid provision.

9. Company has made an investment of Rs. 1,00,000/- towards subscription of shares in Power Company of Karnataka Limited during FY 08. The shares of the Company are unlisted as on date and hence adjustment with respect to the current valuation of the investment is not accounted.

#### 10. **Contingent Liabilities:**

- a) There are twenty two cases pending in Labour Officer / Courts / Consumer For against the Company for compensation for loss of life on account of electrocution/electrical accidents and others involving an amount of Rs 58.10 lakhs.

- b) Two cases pertaining to the employees (permanent / temporary) are pending before the appellate authorities / Court. The financial implication depends on the outcome of the case and has not been crystallized as at.
- c) There are 39 cases pertaining to power purchase agreement, tariff, payment of dues, etc which are pending before KERC/CERC/ATE and a decision thereon is awaited.

The company has not made any provision on account of the above items

### **PROFIT & LOSS ACCOUNT**

- 11 State Transmission Utilities are barred from power trading activities with effect from 10.06.2005, in accordance with the provisions of Section 39(1) of the Electricity Act, 2003. Consequently the State Government has decided that the ESCOMs would directly purchase power from the Generating Companies and that the Power Purchase Agreements already entered into by the KPTCL would be assigned to the ESCOMs with effect from 10.06.2005. The Government had constituted a State Power Procurement Coordination Centre (SPPCC) under the chairmanship of Principal Secretary, Energy Department, inter-alia, consisting of MDs of KPCL, KPTCL & ESCOMs etc. In respect of power supplied by KPCL, Central Generating Stations and Conventional IPPs, the same would be allocated between ESCOMs on the basis of share of each ESCOM in total energy consumption during the year. Accordingly, the Government has issued another GO No. EN 131 PSR 2003 dated 06.07.2005 indicating the share of GESCOM and

revised subsequently by GoK/KERC from time to time:

Sl. No	Source	Percentage share
1	Sharavathy & Linganamakki	18.3300
2	RTPS, BTPS, CGS	13.2600
4	NCE (Allocated to GESCOM)	Actual
5	For other remaining sources	13.2600

Depending upon the review of power requirement of ESCOMs and the total availability the above ratio of allocation is modified from time to time by the Government and the same is binding upon GESCOM.

These PPAs would be assigned to all the ESCOMs and each ESCOM are signatory to the PPA. An exercise is carried out at the year end to allocate the energy on the basis of the actual input and any difference as per the monthly share allocated and actual energy input is accounted during the financial year itself.

In order to facilitate trading and coordinate in carrying out tariff based competitive bidding process on behalf ESCOMs for establishment of various power projects and also to undertake related activities the Government of Karnataka has accorded approval vide GO No EN 138 PPC 2006, Bangalore dated 07.04.2007 for constitution of SPV viz., Power Company of Karnataka Limited (PCKL).

Further, the Government of Karnataka in its order No EN 158 PPC 2000 dated 01.09.2007 has accorded approval for merger of SPPCC with PCKL. Consequently, the operations hitherto carried out by the SPPCC are being taken over by the newly constituted PCKL. The Company accounts all

power purchase costs based on the intimations received from PCKL.

The Energy Balancing for the financial year ending 31/3/2009, 31/3/2010 & 31/3/2011 has been communicated by the SLDC and PCKL as follows:

Year	Excess Energy drawn by GESCOM (-ve indicates receivable from other ESCOMs) (in MU)	Financial implication- Payable to other ESCOMs (-ve indicates receivable from other ESCOMs) (Rs in Crs.)
2008-09	331.159	71.61
2009-10	161.889	31.35
2010-11	(-) 548.18	(-) 159.75

The basis of the energy balancing adopted for the above financial years differs from that of FY 07 & FY 08. Further the Energy balancing figures are yet to be accepted by all the other ESCOMs. In view of the above and also that the same is yet to be approved by the Energy Department, the financial implication of the Energy Balancing could not be accounted during the financial year.

12. **Subsidy Claimed from GoK under P P Model.**

a) Rural Electrification / Tariff Subsidy is accounted as per Purchaser-Provider Model introduced by the Government of Karnataka during the Financial Year 2003-04 vide GO No. DE 35 PSR 2003 dated 25/4/2003 and subsequent guidelines issued from time to time. During the year 2006-07, the GoK vide letter No. EN 48 PSR 2006 has clarified that "Only the amount of subsidy as intimated by State Government needs to be taken into account by ESCOMs while preparing their Accounts and Balance Sheet". Effective from December 2009 and onwards, the Tariff Subsidy is claimed from Government of Karnataka as per the Commission

Determined Tariff applicable to the LT 1 and LT 4 a category (as per applicable Tariff Order of KERC) and the same is included in the Revenue from Sale of Power

b) the review petition filed by the Government of Karnataka against the Tariff subsidy and the true up exercise carried out for the financial years FY 08 and FY 09, has been disposed off by the Hon'ble Commission and the True up impact as crystallized in tariff order 2009 being Rs 383 Crores has been ordered to be released in 36 installments by Government of Karnataka starting from Jan 2011. Accordingly an amount of Rs. 31.98 Crores being the amount due for the 3 installments during FY 11, has been accounted as subsidy receivable from GoK on accrual basis.

c) Based on the orders of the Hon'ble Commission in respect of review petition filed by Government of Karnataka, an amount of Rs. 165.29 crores is accounted as additional subsidy receivable from Government of Karnataka for FY 10 on accrual basis.

d) The revenue demand in the case of metered BJ/KJ installations is claimed in accordance with GO No IN 145 PSR 2004 Bangalore dated 15.03.2005/ Current Tariff Order and included in the Tariff Subsidy receivable from the Government of Karnataka.

13. Payment of Interest, guarantee commission and principal amount paid to financial institutions in respect of some of the loans accounts, during the year 2010-11 has been made by KPTCL on behalf of the Company. The above amounts have been recorded in the books of account as per the intimations of KPTCL.

14. Managerial remuneration paid/payable and included in Employee Costs and Administration and General Expenses for the financial year 2010-11 to the directors are as follows:-

Sl. No.	Particulars	Amount (in Rupees)	
<b>WHOLE TIME DIRECTORS MANAGING DIRECTOR &amp; DIRECTOR (TECH)]</b>			
		Current year	Previous year
1	Salary and allowances	13,60,861	14,91,147
2	Ex-gratia	7000	7,000
3	Pension and Gratuity contribution	2,89,883	3,36,723
4	Travelling expenses	3,43,090	2,55,522
<b>OTHER DIRECTORS</b>			
5	Sitting Fees	24,000	24,000
6	Travelling expenses	4,065	-
<b>TOTAL</b>		<b>2028899</b>	<b>21,14,392</b>

15. The Company provides subsidized electricity to its employees, who were appointed on or before 08.05.1997. The difference amount in billing the units at the subsidized rates to the employees and the applicable tariff is recognized as sales and the liability on this account is debited to electricity charges account.

Under the Subsidized power supply category, 4.20 MU of energy was supplied to its employees against which, the Company has charged about Rs. 109 lakhs to the P & L A/c. An amount of Rs. 25 lakhs is receivable from its employees on the balance sheet date.

16. The details of auditors' remuneration are as under:-

		Current year (Rs.)	Previous year (Rs.)
i)	Statutory Audit Fees	187500	1,87,500
ii)	Tax Audit &	75000	75,000

	Certification Fees		
iii)	Service Tax	27038	27038
	<b>Sub Total</b>	<b>289538</b>	<b>2,89,538</b>
iv)	Reimbursement of out of pocket expenses & certification charges	98200	51,474
	<b>Sub Total</b>	<b>98200</b>	<b>51474</b>
	<b>Grand Total</b>	<b>387738</b>	<b>341012</b>

### OTHERS

17. In respect of assets shared with KPTCL, the ownership and title vests with KPTCL and as such, they are not reflected in the books of accounts of the Company. But the share of maintenance expenditure in respect of such assets is charged to Profit & Loss account.

18. There are a few negative balances against assets in the statement of capital expenditure, works in progress, stock and suspense heads. The same is under reconciliation.

19. **Micro, Small and Medium Enterprises Development Act, 2006:** Under Micro, Small Medium Enterprises Development Act, 2006 read with notification no:8-7-2006-CDN dt17-05-2007, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in the view of the management, the impact of interest, if any, that may be payable in accordance with provisions of this Act is not expected to be material. Also no amounts are due to small scale industrial undertaking to whom the Company owes and which is outstanding for more than 30 days as at 31<sup>st</sup> March 2011.

20. The details of energy input, sale of energy and transmission and distribution losses during the year 2010-11 are as follows:-

		Current year	Previous year
i)	Energy Input at Interface Point (in MU)	5991.96	5764.01
ii)	Metered Category Sales (in MU)	2366.82	2125.30
iii)	Unmetered Category Sales (in MU)	2305.07	2166.91
iv)	Total Sales (in MU)	4671.89	4292.21
v)	Distribution losses (Tech & Comml.) (in MU)	1321.83	1471.80
vi)	Percentage of distribution losses	22.06 %	25.53%

21. Previous year's figures have been re-grouped, reclassified and rearranged wherever necessary to conform to the current year's presentation.
22. The disclosures relating to Key Management Personnel (being Directors on the Boards of KPTCL / Other ESCOMs and the Company) as required under Accounting Standard-18 issued by the Institute of Chartered Accountants of India are as under:-

Key Management Personnel (as on 31.03.2011)

:

Smt. Lata Krishna Rao IAS  
 Shri Munish Moudgil, IAS  
 Shri. P.K. Garg, IPS  
 Shri Rajkumar, Khatri, IAS  
 Shri. Naveen Kumar, IA & AS  
 Shri. S. Pratap Kumar  
 Shri L Ravi  
 Shri. N. Nagaraju

**Remuneration** Rs 7,67,244/-

**Sitting fees** Rs 19,000 /-

23. Earnings and expenditure in foreign exchange: NIL
24. All figures have been rounded off to the nearest rupee.
25. In accordance with mandatory Accounting Standard-22 relating to Accounting for taxes on income, the Company has reversed a sum

of Rs 37,01,43,110 from deferred tax liability for the year 2010-11. The components of the deferred taxes as shown in the balance sheet are as under:-

	As on 31.03.2011	As on 31.03.2010
Deferred Tax liability on account of Fixed Assets	1959489030	1706257346
Less: WDV on account of Consumer Contribution not being reversed	1139168814	----
(A)	820320217	1706257346
Deferred Tax asset on account of		
i) Provision towards Doubtful debts	618215314	512453882
ii) Other statutory disallowances	62545425	45457167
iii) Unabsorbed loss / Depreciation	--	638643711
(B)	680760739	1196554759
Net deferred tax liability@ 33.99% (A - B)	139559478	509702587

27. Movement in CWIP

Opening Balance	1616835046
Additions	2206687967
Capitalized / Transfer	3186788338
Closing Balance	636734675

27. In accordance with the provisions of Section 185(2)(d) of the Electricity Act, 2003, all rules made under sub-section (1) of Section 69 of the repealed Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified. Accordingly, the financial statements have been prepared based on the rules laid down under the Electricity (Supply) Act, 1948, since modified rules have not yet been notified under the Electricity Act, 2003.
28. Common expenditure incurred by Divisions/Circles/Zones and Administrative

offices is not apportioned and debited to Capital Expenditure as the costing method and procedures are not yet evolved.

29. The C & AG vide draft para vide CARC/PDP-22/AR-2009-10/2010-11/B-39 dated 06/05/2010 has pointed out that the payment of Exgratia to its employees during 2006-07, 2007-08 & 2008-09 amount to Rs. 3.78 crores, without the approval of the Government of Karnataka is irregular. The personnel related matters such as Revision of Pay Scale, Bonus, regulation of DA and pension etc are being to regulated in GESCOMs based on the orders issued by KPTCL, as ESCOM wise employee segregation is not made. The provision made during FY -10 & FY 11 is in anticipation of the approval of the Government of Karnataka.
- 30 The Annual Accounts for FY 10 of the Company which were approved by the

Board on 25/08/2009 have been revised in light of the observations made by the Comptroller and Auditor General of India. The said revision has resulted in :

- a. The Power purchase cost will increase by Rs. 27,89,77,720/-
- b. Decrease in Revenue from Sale of Power by Rs. 27,09,817/-
- c. Increase in Depreciation by Rs. 43,44,093/-
- d. Fixed Assets Decreased by Rs. 43,44,093/-
- e. Decrease in Other Income by Rs. 61,29,136/-
- f. Cash & Bank Balance decreased by Rs. 61,29,136/-
- g. Increase in prior period income by Rs. 27,51,17,846/-
- h. Current Liabilities increased by Rs. 38,59,874/-
- i. Gross Profit & Net Profit decreased by Rs. 1,70,42,920/-

As per our report attached  
for **P K Subramanian & Co,**  
Chartered Accountants

for and on behalf of the Board of Directors

**CA Veerabasanagouda Shivappa**  
Partner  
Membership No: 208698  
Firm Regn: 0041355

**(G C Prakash IAS)**  
Managing Director

**(M Mahadev)**  
Director (Technical)

**(Suresh Terdal)**  
Financial Advisor

Place : Gulbarga  
Date : 09/Dec/2011