

AUDITOR'S REPORT

10.

The Members.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED,
KANPUR

We report that We have audited the attached Balance Sheet of KANPUR ELECTRICITY SUPPLY COMPANY LIMITED, 14/71, Civil Lines, Kanpur (U.P.) as on 31st March 2003 and Profit and Loss Account for the year ended on 31st March 2003 signed by us under reference to this report, are in agreement with the books of accounts.

2. As the Company is governed by the Electricity Supply Act, 1948, Uttar Pradesh Electricity Reforms Act, 1999 and Uttar Pradesh Transfer of KESA Zone Electricity Distribution Undertaking Scheme, 2000 issued under the said U.P. Act, prevailing over the provisions of the Companies Act wherever inconsistency so arise, considering the same, subject to the followings:

A. Provision for Doubtful debts further made during the year, of Rs.36,07,41,874/- is by estimate at the rate of 15% on the incremental debtors of the Company which is not based upon identification and appraisal of individual cases. In absence of proper information, we are unable to state our opinion about adequacy/excess of the same, effect indeterminate.

B. The Long Term Debt Liability towards terminal benefits liability fund on transfer date was ascertained at Rs.26,20,47,696.00 and Current Liability towards terminal benefit funds on transfer date was ascertained at Rs.174,68,01,716.00 had not been dealt with as provided in para-4(4) read with Schedule-B Part-II A.4(a) to (c) instead Company had transferred in previous year, these liabilities of Rs.85.00 Crores (Rs. 60.00 crores and Rs.25.00 crores) as Provisionally referred in KESA Zone Electricity Distribution Scheme-2000, to UPPCL Secured Loan Account in view of G.O. No. 1555/P-1/2003-24-1(4P/2002-TC) dated 16.07.2003 and Gazette No.348/P-1/2001-24 dated 25.01.2001 whereas such G.O. and such Notification do not appear to effect the liability of the Company as provided in para-4(4) read with Schedule-B Part-II A.4(a) to (c) Transfer of KESA Zone Electricity Distribution Scheme - 2000. The account with UPPCL still remain unconfirm. The effect is on display of liability in Balance Sheet on account of UPPCL and Terminal liabilities of staff.

C. Sundry Debtors, Sundry Creditors, Loans & Advances are subject to reconciliation & Current Account with UPPCL

remain unconfirmed and no efforts for confirmation have been made.

D. Company has not determined obsolete and dead stock, effect indeterminate.

F. As per provisions of KESA Zone Electricity Distribution Scheme-2000, debtors to the tune of Rs.60.00 crores were of the Company and balance debtors were standing towards UPFCL for which collection charges @ 15% were to be earned. In the manner of accounts maintained by the Company recoveries are not ascertainable whether pertaining to debtors belonging to UPFCL or of the Company and in view of growing debtors, assumption has been made by the management that no recovery on account of debtors pertaining to UPFCL has been made, effect indeterminate.

F. The Company had transferred in previous year, difference in Balances of current assets, current liabilities, consumer contribution for capital works and security deposit from consumers etc. of erstwhile KESA Zone against the figures as per KESA Zone Electricity Distribution Scheme-2000 resulting net credit balance of Rs.97,30,85,602.64 in restructuring account still shown in Balance Sheet as per Schedule 'F' - current liabilities and provisions which is subject to reconciliation and further approval from Competent Authority, effect indeterminate.

G. Company is accounting for Subsidy, Grant, Insurance and other claims, refund of Custom duty and interest on Income Tax and Trade Tax, interest on loans to staff are on cash basis in contravention to Section 209(3)(h).

In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet together with the notes thereon and Profit and Loss Account together with the notes thereon and attached thereto have been prepared in accordance with the provisions of the Electricity Supply Act, 1948, Uttar Pradesh Electricity Reforms Act, 1999 and Balance Sheet and Profit & Loss Account as referred above give the information required by the Companies Act, 1956 in the manner so required and give true and fair view:

(a) In the case of Balance Sheet of state of affairs of the Company as at 31.03.2003.

(b) In the case of Profit and Loss Account of the LOSS for the year ended on 31st March, 2003.

3. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for audit.

4. In our opinion proper books of account have been kept as required by law so far as appear from our examination of books.

5. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and Returns.

6. In our opinion, the Profit and Loss Account and the Balance Sheet comply with the requirements of the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

7. This Company is incorporated on 21.7.1999 and being Government Company all the directors are appointed by the Government. As per information and explanations given to us, none of the Directors of the Company is, disqualified as on 31st March, 2003 from being appointed as a Director of the Company Under Clause(g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.

8. As required by the Companies (AUDITOR'S REPORT) Order, 2002 issued by the Central Government and on the basis of such checks as we considered appropriate, we further report that -

(i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.

(b) The fixed assets of the Company have been acquired under U.P. Transfer of KESA Zone Electricity Distribution Undertaking Scheme - 2000 are in process of physical verification. There is no physical verification during the year.

(c) There is no disposal of substantial part of fixed assets.

(ii) (a) The stock of stores and spare parts have been physically verified once in a year and not at reasonable intervals by the management.

(b) The present procedure of physical verification of inventory followed by management is not reasonable and is inadequate as obsolete stock /spare parts are not identified.

(c) The company has maintained proper records and no significant discrepancy was noted during verification between the physical and the quantity shown in books of accounts. Such discrepancy was properly dealt with in the books of accounts.

(iii) (a) The Company is subsidiary of U.P. Power Corporation Limited and therefore a Government Company and Section 301 is not applicable after the Companies (Amendment) Act, 1999.

(b) Company has taken loan from UPPCL, Lucknow, the Power Finance Corporation New Delhi and the rate of interest, other terms and conditions of loans taken are not prejudicial to the interest of the Company.

(c) Company is not regular in repayment of interest on loan.

(d) Company is not able to take reasonable steps for repayment of interest on loan.

(iv) In our opinion and according to the information and explanations given to us the internal control procedure do not adequately commensurate with the size of the Company in the matter of purchase of inventory and fixed assets and for the sale of energy. The gap between units of energy purchased and units of energy sold is by 43.51% and show heavy line loss / theft. In last year this gap was of 33.74%. The line loss / theft is significantly increased during the year. There is no maintenance of record for the complaints from the consumers for disputed energy supply bills. There is continuing failure to control this weakness.


(v) (a) We did not find any transaction of purchase and sale of goods and materials and services from the parties listed in Register as per provisions of Section 301 of the Companies Act, 1956.

(b) Not applicable.

(vi) The Company has not accepted deposits from the public.

(vii) This is again explained to us that the internal audit system has to be established.

(viii) The cost records are prescribed by the Central Government under section 209 (i) (d) of the Companies Act, 1956 vide Notification No. G.S.R.913(E), dated 21st December, 2001 are applicable but the company had not maintained the same.

 (ix) (a) The deduction made on account of GPF from the salaries of staff has been remitted to UP State Power Sector Employees Trust Lucknow as per decision of UP Govt./UPPCL. Company has not paid Electricity Duty charged from the consumers.

(b) Unpaid but due Electricity Duty is Rs. 36,54,17,009.60 inclusive in other liabilities shown in Balance Sheet in Schedule-F - CURRENT LIABILITIES AND PROVISIONS - OTHER LIABILITIES.

(c) Company is registered within a period of five years.

(xi) Company has taken loan from Power Finance Corporation Limited, New Delhi but no repayment became due upto the date of balance sheet. Company has not taken any loan from any bank or debenture holders.

(xii) Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) This Company is not Chit Fund, Nidhi/Mutual benefit fund/society.

(xiv) Company is not dealing in shares, securities etc.

(xv) Company has not given any guarantee etc. to the Financial Institution, Banks or debenture holders.

(xvi) The liability of Company arising from KESA Zone Electricity Distribution Scheme-2000 has been converted into loan and therefore this is applied for the purpose it was granted. Further the loan from Power Finance Corpn. Limited, New Delhi was taken for power purchase payments and loan has been utilised accordingly by paying to UPPCL.

(xvii) Company did not raise short term funds.

(xviii) Company did not made any preferential allotment of shares.

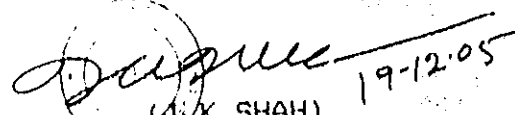
(xix) Company did not issue debentures.

(xx) Company did not make public issue.

(xxi) As per information provided to us there is no fraud noticed by or reported to the Company.

FOR U.S. GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS.

DATED : 19.12.2005
PLACE : KANPUR


(K. SHAH)
PARTNER
M. No. 720SD
19-12-05

*ANNUAL
ACCOUNTS
2002-2003*

*KANPUR ELECTRICITY SUPPLY
COMPANY LIMITED*

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KANPUR (U.P.)

BALANCE SHEET AS AT 31.03.2003


PARTICULARS	SCHEDULE	AMOUNT AS ON 31.03.2003 (Rs.)	AMOUNT AS ON 31.03.2002 (Rs.)
SOURCES OF FUNDS			
1. Shareholder's Funds			
a. Share Capital	A	600,000,000.00	600,000,000.00
b. Reserves & Surplus			
2. Loan Funds			
Secured Loans	B	2,922,453,425.00	2,262,059,860.00
3. Consumer's Contribution		492,272,646.92	396,800,224.10
4. Security Deposit from Consumers	C	518,253,119.45	454,532,522.12
TOTAL		4,533,019,191.37	3,713,392,606.22
APPLICATIONS OF FUNDS			
1. Fixed Assets	D		
a. Gross Block		2,822,383,465.99	2,739,927,544.18
b. Less: Depreciation		653,604,645.83	444,279,704.59
c. Net Block		2,168,778,820.16	2,295,647,839.59
Capital Work in Progress		102,763,082.99	69,866,049.12
2. Current Assets, Loans & Advances	E		
a. Cash & Bank Balance		205,833,383.03	54,539,112.00
b. Sundry Debtors		4,822,699,726.53	3,787,910,709.79
c. Stores & Spares		188,873,709.63	198,811,043.55
d. Loans & Advances		336,539,425.73	257,840,339.04
Less: Current Liabilities & Provisions	F	6,351,379,428.24	4,320,363,885.84
Net Current Assets		(797,433,183.32)	(320,362,611.46)
3. Miscellaneous Expenses (to the extent not written off)			
Preliminary Expenses		18,230.40	27,345.60
4. Profit & Loss Account		3,058,892,241.14	1,668,794,053.37
TOTAL		4,533,019,191.37	3,713,392,606.22
Notes Forming Parts of Accounts	O		
Balance Sheet Abstract	P		

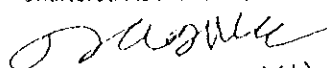
As Per Our Report of Even Date attached

For KANPUR ELECTRICITY SUPPLY COMPANY LTD.

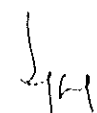
For U.S. GUPTA & ASSOCIATES
Chartered Accountants


(A.O.)


(Dy C A.O.)


(Partner) (J.R. SHARMA)

Dated: 19-12-05
Place: Kanpur


(Managing Director)


(Director)

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES , KANPUR (U.P.)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2003

PARTICULARS	SCHEDULE	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
<u>INCOME</u>			
Sale of Energy	G	4,606,704,392.00	5,812,429,332.42
Other Income	H	411,509,857.31	327,832,150.92
TOTAL (A)		5,018,214,249.31	6,140,261,483.34
<u>EXPENDITURE</u>			
Purchase of Power	I	4,256,837,944.32	4,945,832,195.33
Electricity Duty		98,694,577.00	130,649,162.74
Establishment Expenses	J	451,044,307.13	432,949,589.91
Repairs & Maintenance	K	165,121,963.75	160,626,121.99
Other Financial Expenses	L	716,376,815.30	787,736,874.51
Administrative Expenses	M	21,741,411.27	26,511,614.10
Depreciation	D	210,405,686.91	203,001,653.17
Provision for Doubtful Debts		360,741,874.00	366,252,734.70
Preliminary Expenses Written off		9,115.20	9,115.20
TOTAL (B)		6,281,173,694.88	7,053,629,061.66
NET LOSS (B-A)		1,262,959,445.57	913,367,578.31
Add Prior Period Expenses	N	127,138,742.20	(19,252,556.44)
Loss for the year		1,390,098,187.77	894,116,021.87
Loss Brought forward from Previous Year		1,668,794,053.37	774,679,031.50
Net Loss transferred to Balance Sheet		3,058,892,241.14	1,668,794,053.37

As Per Our Report of Even Date attached

For KANPUR ELECTRICITY SUPPLY COMPANY LTD.

For U.S. GUPTA & ASSOCIATES
Chartered Accountants

E.A. Gupta
(A.O.)

Swati
(Dy C. A.O.)

J. H. Shah
(Partner) (J.H. SHAH)
Dated : 19-12-05
Place : Kanpur

S. C. D.
(Managing Director)

M.
(Director)

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES , KANPUR (U.P.)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31.03.2003

SCHEDULE - A
SHARE CAPITAL

PARTICULARS	AMOUNT AS ON 31.03.2003 (Rs.)	AMOUNT AS ON 31.03.2002 (Rs.)
AUTHORISED CAPITAL		
6,00,00,000 Equity Shares of Rs 10 00 each	600,000,000 00	600,000,000 00
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
(6,00,00,000 Equity Shares of Rs 10 00 each out of the above shares 5,99,99,300 shares are allotted as fully paid i.p pursuant to Uttar Pradesh Transfer of KESA Zone Electricity Distribution Scheme, 2000 without payment being received in cash)	600,000,000 00	600,000,000 00
Grand Total	600,000,000.00	600,000,000.00

SCHEDULE - B
SECURED LOANS

PARTICULARS	AMOUNT AS ON 31.03.2003 (Rs.)	AMOUNT AS ON 31.03.2002 (Rs.)
From Uttar Pradesh Power Corporation Limited (Balance as per transfer of KESA Zone Electricity Distribution Scheme, 2000)	1,100,000,000 00	1,100,000,000 00
Add: Transfer of Terminal Benefit Liability as per Transfer Scheme	850,000,000 00	850,000,000 00
Interest Accrued & Due	472,493,425 00	312,059,860 00
Security - First charge over the distribution system and distribution assets of KESA as transferred to KESCO by the transfer scheme as on the appointed date		
From Power Finance Corporation Limited	500,000,000 00	
Security - First charge over the distribution system and distribution assets of KESA as transferred to KESCO by the transfer scheme as on the appointed date ranking pari passu with UPPCL		
Grand Total	2,922,493,425.00	2,262,059,860.00

SCHEDULE - C
SECURITY DEPOSITS FROM CONSUMERS

PARTICULARS	AMOUNT AS ON 31.03.2003 (Rs.)	AMOUNT AS ON 31.03.2002 (Rs.)
Security Deposits	505,203,363 79	446,147,697 12
Add: Interest Payable for the year	13,049,755 66	8,384,825 00
Grand Total	518,253,119.45	454,532,522.12

[Signature]
Accounts Officer
Kanpur Electricity Supply Co. LTD.
KANPUR


[Signature]
Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.


KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
1471, CIVIL LINES KANPUR (U.P.)

SCHEDULE 'D'
FIXED ASSETS

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31.03.2003

S. No.	NAME OF ASSETS	RATE OF DEP.	GROSS BLOCK			DEPRECIATION				NET BLOCK		
			AS ON 1.4.2002	ADDITION DURING THE YEAR	SALES/ADJ DURING THE YEAR	AS ON 31.3.2003	AS ON 1.4.2002	FOR THE YEAR	DEDUCTI-ON / ADJ.	AS ON 31.3.2003	AS ON 31.3.2003	AS ON 31.3.2002
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Land	0%	-	-	-	-	-	-	-	-	-	-
2	Building	3.02%	165,807,232.97	-	-	165,807,232.97	12,308,024.07	5,647,578.44	-	17,949,602.51	168,657,630.46	174,499,208.90
3	Plant & Machinery	7.84%	356,596,235.79	37,555,240.15	-	434,561,475.94	58,868,234.88	31,124,504.89	-	89,992,735.77	344,568,736.17	338,128,000.91
4	Transformers	7.84%	102,822,384.00	-	-	102,822,384.00	17,767,549.82	9,061,274.91	-	25,828,824.73	76,993,559.27	85,054,834.18
5	Transmission Lines	7.84%	1,960,006,031.08	45,377,038.00	-	2,005,383,070.11	329,116,696.12	153,664,477.94	-	482,781,168.96	1,522,601,901.15	1,630,885,334.96
6	Office Equipments	12.77%	53,371,785.34	381,782.26	-	53,753,577.60	14,580,769.65	6,815,576.99	-	21,796,346.64	31,957,230.96	38,381,015.69
7	Furniture & Fixture	12.77%	7,685,875.00	242,850.37	-	7,928,725.37	2,147,179.73	981,486.24	-	3,128,665.97	4,800,069.40	5,538,695.27
8	Vehicles	12.77%	32,238,000.00	-	1,111,000.00	31,127,000.00	9,091,270.23	4,115,782.60	-	12,127,287.25	18,999,702.75	23,146,749.68
9	TOTAL		2,739,927,544.18	83,566,921.81	1,111,000.00	2,872,383,465.99	444,279,704.60	210,405,686.91	1,080,745.68	653,604,645.83	2,168,778,820.16	2,295,647,839.59
	Previous Year		2,644,301,045.74	95,626,498.44	-	2,739,927,544.18	241,278,051.42	203,001,653.17	-	444,279,704.68	2,295,647,839.59	2,403,022,994.77


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.
KANPUR


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co Ltd.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KANPUR (U.P.)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31.03.2003

SCHEDULE - E
CURRENT ASSETS, LOANS & ADVANCES

PARTICULARS	AMOUNT AS ON 31.03.2003 (Rs.)	AMOUNT AS ON 31.03.2002 (Rs.)
A. CASH & BANK BALANCES		
Cash in Hand	9,687,179 64	4,556,153 94
Cheques and Drafts in Hand	83,113,776 81	24,145,388 12
Cash at Bank with Scheduled Banks in Current A/c	114,032,426 58	25,837,569 94
Total (A)	205,833,383.03	54,559,112.00
B. SUNDRY DEBTORS		
Unsecured considered good of recovery by the management (unless otherwise stated)		
a Debts outstanding for a period exceeding 6 months	11,896,901,672 61	9,385,422,360 23
b Other Debts	972,415,338 42	1,102,194,230 26
Less: Adjustments of Receivables to the account of U.P.P.C.L.	7,111,568,069 80	6,125,398,540 00
Less: Provision for Doubtful Debts	935,049,214 70	574,307,340 70
Total (B)	4,822,699,726.53	3,787,910,709.79
C. STORES & SPARES		
a Stores & Spares (As certified by management)	188,873,709 63	198,811,043 55
Total (C)	188,873,709.63	198,811,043.55
D. LOANS & ADVANCES		
Advances recoverable in cash or kind	336,539,425 73	257,840,339 04
Total (D)	336,539,425.73	257,840,339.04
Grand Total A to D	5,553,946,244.92	4,299,101,204.38

[Signature]
Accounts Officer
Kanpur Electricity Supply Co. Ltd.
KANPUR

[Signature]
Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KANPUR (U.P.)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31.03.2003

SCHEDULE - F
CURRENT LIABILITIES & PROVISIONS

PARTICULARS	AMOUNT AS ON 31.03.2003 (Rs.)	AMOUNT AS ON 31.03.2002 (Rs.)
Interest Accrued but not due on Loan from PFC	8,356,165.00	28,579,780.07
Liabilities for O & M	22,555,430.31	82,512,913.31
Liabilities for Capital Work	109,424,993.16	366,010,415.80
Other Liabilities	548,695,905.68	22,441,460.33
Staff Related Liabilities & Provisions	104,683,021.66	143,317,978.11
Current Account with UPPCL	143,616,910.98	2,917,209,501.81
Liabilities for Power Purchased	4,338,199,439.43	137,306,233.77
Loan from UPPCL against Power Purchase	152,761,959.38	923,085,602.64
Restructuring Account	923,085,602.64	4,620,063,885.84
Grand Total	6,351,379,428.24	4,620,063,885.84

(Signature)
Accounts Officer
Kanpur Electricity Supply Co. LTD.
KANPUR

(Signature)
Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KANPUR (U.P.)

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.3.03

SCHEDULE - G
SALE OF ENERGY


PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Domestic	1,733,850,733 00	1,467,688,547 68
Commercial	838,386,313 00	830,245,320 00
Industrial	1,746,604,443 00	3,214,669,897 00
Public Lighting	52,948,960 00	49,444,480 00
Public Water Works	136,019,366 00	118,506,161 00
Private Tubewell	-	1,225,764 00
Electricity Duty	98,894,577 00	130,149,162 74
Grand Total	4,606,704,392.00	5,812,429,332.42

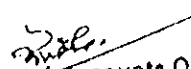
SCHEDULE - H
OTHER INCOME

PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Delayed Payment Charges from Consumers	377,228,115 20	283,599,027 24
Misc Income	5,224,410 43	8,143,126 68
Meter Rent	28,886,184 00	36,089,997 00
Profit on Sale of Fixed Assets	171,147 68	-
Grand Total	411,509,857.31	327,832,150.92

SCHEDULE - I
POWER PURCHASED

PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Power Purchased from UPPCL	4,256,837,944 32	4,945,832,195 33
Grand Total	4,256,837,944.32	4,945,832,195.33


Accounts Officer
Kanpur Electricity Supply Co. Ltd.,
KANPUR


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KANPUR (U.P.)

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.3.03

SCHEDULE - J
ESTABLISHMENT EXPENSES


PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Salaries & Allowances	370,056,573.97	359,509,349.55
Staff Welfare Expenses	20,651,116.16	12,100,907.36
Contribution for Pension & Gratuity	60,336,617.00	61,339,333.00
Grand Total	451,044,307.13	432,949,589.91

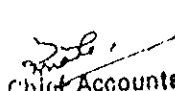
SCHEDULE - K
REPAIRS & MAINTENANCE O & M

PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Plant & Machinery	62,067,023.85	40,052,840.42
Building	6,628,514.64	24,268,001.84
Civil Works	-	9,985.00
Lines, Cable, Network etc	96,422,755.6	96,253,437.23
Furniture & Fixture	3,670.00	41,857.50
Grand Total	165,121,963.75	160,626,121.99

SCHEDULE - L
FINANCIAL CHARGES

PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Late Payment Surcharge on Power Purchase	389,492,993.30	425,659,663.80
Discount to Consumers on Sale of Energy	63,546,574.00	184,887,415.00
Interest on Electricity Duty	59,293,954.32	-
Bank Charges	17,125.00	10,010.00
Interest on Secured Loans to UPPCL	160,433,565.00	157,191,443.00
Interest on Secured Loans to PFC	8,356,165.00	-
Interest on Loan from UPPCL agst Power Purchase	15,455,725.61	8,508,520.35
Interest on Consumers Security Deposits	19,180,713.07	11,539,822.36
Grand Total	716,376,816.30	787,796,874.61


Accounts Officer
Kanpur Electricity Supply Co. Ltd.
KANPUR


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES , KANPUR (U.P.)

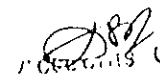
SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.3.03

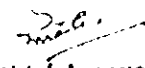
SCHEDULE - M
ADMINISTRATIVE EXPENSES

PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Rent, Rates, Taxes and Insurance on Property	273,949.50	5,802,806.17
Telephone Postage & Telegraph	12,015,671.65	10,133,372.41
Legal & Consultancy Charges	2,214,930.60	3,155,823.60
Audit Fees	56,202.00	54,630.00
Conveyance, Travelling & Vehicle Running Exp	520,990.20	642,334.05
Fees & Subscription	2,794,129.00	2,702,450.00
Printing & Stationery	2,286,671.14	530,642.65
Advertisement Expenses	1,256,269.23	3,250,111.25
Misc. Expenses	322,597.95	239,443.97
Grand Total	21,741,411.27	26,611,614.10

SCHEDULE - N
PRIOR PERIOD EXPENSES

PARTICULARS	YEAR ENDED 31.03.2003 (Rs.)	YEAR ENDED 31.03.2002 (Rs.)
Expenses	43,200,000.00	4,893,015.00
Interest & Financial Charges	83,938,742.20	5,774,503.05
Employees Cost	0.00	5,598,645.00
Rent, Rates and Taxes	127,138,742.20	16,266,163.05
Total (A)		
Income	0.00	116,793.00
Repair & Maintenance	0.00	1,887,694.42
Depreciation	0.00	15,839,748.12
Interest & Financial Charges	0.00	17,557,675.45
Employees Cost	0.00	116,808.50
Miscellaneous Expenses	0.00	35,618,719.49
Total (B)		
Grand Total (A-B)	127,138,742.20	(19,262,656.44)


Kanpur Electricity Supply Co. Ltd.
KANPUR


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KESA HOUSE, KANPUR (U.P.)

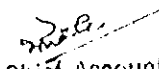
SCHEDULE-O

ACCOUNTING POLICIES & NOTES ON ACCOUNTS
FORMING PART OF THE BALANCE SHEETS AT 31.03.2003

(A) ACCOUNTING POLICIES:

1. The accounts are prepared on historical cost concept and mercantile system of accounting and on accounting principle of Going Concern along with all the applicable Accounting Standards as recommended by the ICAI. Further the Accounts also comply with various provisions of Transfer of KESA Zone Electricity Distribution Scheme, 2000.
2. The Financial Statements are prepared in accordance with the provisions of the Companies Act, 1956 and wherever inconsistency, the provisions of the Electricity (Supply) Act, 1948 prevail.
3. Subsidy, Grant, Insurance and other claims, Refund of Custom duty and interest on Income Tax and Trade Tax are accounted for on cash basis.
4. Inventories of stores and spares are valued at cost.
5. Preliminary Expenses are being written off in 5 Years.
6. Revenue from power supply is accounted for on the basis of billing to consumers and estimation basis for the period for which bills have yet to be raised.
7. Depreciation has been calculated in accordance with the guidelines of the Ministry of Power issued on 29th March 1994 of S.O. 266(6). The depreciation on fixed assets has been provided on straight line method at the rates and to the extent prescribed by the Government of India under the Electricity (Supply) Act 1948 and is provided only on asset in existence at the beginning of the year and no depreciation is provided on additions during the year as per Electricity (Supply) Act 1948.


Accounts Officer
Kanpur Electricity Supply Co. LTD.
KANPUR

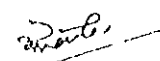

Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

8. Prepaid Expenses and Prior Period Expenses/Income of items of Rs.1.00 Lacs and below are charged to natural heads of accounts.
9. Interest on loans to staff is accounted for on receipt basis after recovery of principal in full.
10. In the case of commissioned assets, where final settlement of bill with the contractors is yet to be effected, capitalization is done subject to necessary adjustment in the year of Final settlement.
11. Sale of energy is accounted for on the basis of tariff notified by U.P. Electricity Regulatory Commission.
12. Late payment surcharge is charged against the payment of bills beyond the due date, in the subsequent bill and is shown under the heads other Income and U.P.P.C.I..
13. Rebate allowed for timely payment has been shown separately as an expense in the Accounts.
14. The Corporation is governed by Electricity (Supply) act, 1948 & the provisions of the said Act have prevailed wherever the same are inconsistent with the provision of the Companies Act, 1956.

(B) NOTES ON ACCOUNTS:

1. The Company was incorporated on 21.07.99 vide Certificate of Incorporation No. 20-24626 and Certificate of Commencement of Business was granted on 21st September 1999.
2. The Company took over the assets and liabilities of KESA Zone of UPPCL w.e.f. 15.01.2000 vide U.P. Govt. Notification dated 15.01.2000.


Accounts Officer
Kanpur Electricity Supply Co. LTD.
KANPUR


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Kanpur Electricity Supply Co. Ltd.

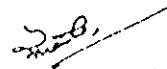
3. Sundry Debtors, Loans and Advances and Current Account with U.P.P.C.L. and sundry creditors etc. remain non reconciled and unconfirmed.
4. The Provision for doubtful debts amounting to Rs.36,07,41,874.00 has been provided @ 15% on incremental value of the Debtors as on 31.03.2003 which is fair and adequate in the opinion of the management.
5. None of the employee were in receipt of remuneration which was more than Rs.12,00,000.00 p.a. or Rs. 1,00,000.00 p.m. if employed for a part of the year.

6. Auditor's Remuneration:

Audit Fees	Rs. 44,080.00
Tax Audit Fees	Rs. 12,122.00

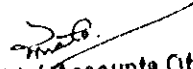
7. Provisions for all known liabilities have been made in the accounts and in the opinion of management the current Assets, loans and advances have a value on realization, in the ordinary course of business, at least equal to the amount at which stated in the Balance Sheet.
8. Deduction made on account of G.P.F. from the salaries of staff has been to the account of U.P. State Power Sector Employees Trust, Lucknow as per decision of the U.P. Govt. /UPPCL. The balance as on 31.3.2003 remains to be confirmed by the trust.
9. In view of losses, no provision for Income Tax has been made.
10. The Company has transferred Rs.92,30,85,602.64 to Restructuring Account on account of difference in balances of current assets, Current Liabilities, Consumer Contribution for Capital Works & security of erstwhile KESA zone and as per transfer scheme for the compliance of observations of C.A.G. The balance of the Restructuring Account will be adjusted in subsequent years on receipt of guidelines from U.P.Government.
11. The revision of tariff is given effect from the date notified in Gazette.


Accounts Officer
Kanpur Electricity Supply Co. Ltd.
KANPUR


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

12. Current liability for Pension & Gratuity in respect of employees has been provided on the basis of norms fixed by the U.P. Power Sector Employees Trust.
13. Interest on Security Deposit from consumers has been made @ 3% p.a. as per the practice followed by erstwhile UPSEB.
14. Power purchased from U.P.P.C.L. has been accounted for on the basis of bills raised by them.
15. Land of the company is on lease from U.P.P.C.L. @ Rs. 1.00 per month as per the Transfer Scheme, The value of such Land is to be ascertained from UPPCL.
16. Sale of energy is accounted for based on tariff rates approved by U.P. Electricity Regulatory Commission.
17. Maintenance of cost records has been made mandatory for the company but due to non availability of adequate qualified staff, this could not be done.
18. Amount due to SSI units could not be ascertained and interest thereon could not be provided for want of information from field units. Efforts are being made to segregate this information.
19. The party-wise details of sundry debtors as on 31.3.2003 could not be worked out, as no details of Rs. 630 crores on 15.1.2000 were made available to the company as per the transfer scheme, The total debtors as on 31.3.2003 have been worked out by adding the difference between the sales/other Income and realization of 2001-2002 to the opening Balance as on 1.4.2002 in view of the non-availability of records relating to age wise details of realization from sale of power during the year 2002-2003, the entire realization has been considered against the current year's sales /other Income.
20. Previous year figures shown in Balance Sheet & Profit and Loss Account have been regrouped and rearranged wherever found necessary.


Accounts Officer
Kanpur Electricity Supply Co. LTD.
KANPUR


Dy. Chief Accounts Officer
Kanpur Electricity Supply Co. Ltd.

21. Contingent Liabilities :

Debts not acknowledged as due Current Year Rs. 55,86,794.51
pending in various courts

22. Quantitative Information:

	Current Year (M.U.)	Previous Year (M.U.)	Current Year (Rupees)	Previous Year (Rupees)
Unit Purchased	2217.103	2575.954	4256837944.32	4945832195.33
Unit Sold	1252.338	1707.625	4606704392.00	5812429332.42

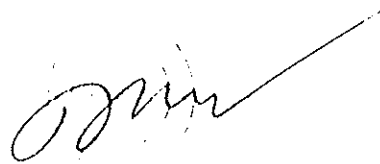
For Kanpur Electricity Supply Co. Ltd.


A.O.

Director


DY.C.A.O.

Managing Director



KANPUR ELECTRICITY SUPPLY COMPANY LIMITED
14/71, CIVIL LINES, KESA HOUSE, KANPUR (U.P.)

ANNEXURE-P

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

1. Registration Details:

Registration No.	20-24626
Balance Sheet Date	31-03-03

2. Capital Raised During the Year:

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3. Position of Mobilization and Deployment Funds:

(Amount in Rs. Thousand)

Total Liabilities	4533019	Total Assets	4533019
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Source of Fund:

Paid up Capital	600000	Reserves & Surplus	--
Secured Loans	2922493	Deposits & Contribution	1010526

Application of funds

Net Fixed Assets	2168779	Capital Work in Progress	102763
Net Current Assets	(797433)	Accumulated Losses.	(3058892)
Misc. Expenditure	27		

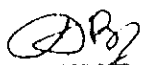
4. Performance of Company (Amount in Rs. Thousands)

Turnover	5018214	Total Expenditure	6408312
Profit /Loss Before Tax	(1390098)	Profit/Loss After Tax	(1390098)
Earning Per Share (in Rs.)	Nil	Dividend	Nil

5. Generic Names of Three Principal Products/ Services of the Company

(As per monetary terms)

Item Code No.	N.A.
Product/ Service Description	N.A.


ACCOUNT OFFICER


DY. CHIEF ACCOUNT OFFICER



कार्यालय महालेखाकार (वाणिज्यिक एवं प्राप्ति लेखा परीक्षा) उ०प्र०
छठा तल, केन्द्रीय भवन, सेक्टर-एच, अलीगंज
लखनऊ 226 024

OFFICE OF THE
ACCOUNTANT GENERAL (COMMERCIAL & RECEIPT AUDIT) UTTAR PRADESH
6TH FLOOR, KENDRIYA BHAWAN, SECTOR H, ALIGANJ
LUCKNOW - 226 024

२११२/२२६०२४/के.के./दि.सं/०३०९/०१९८

दिनांक २१.३.०६

पंजीकृत/गोपनीय
पत्रांक: कम्पनी-लेखा/

For Kind Attention BYENO :

सेवा में,

प्रबन्ध निदेशक
बानपुर विद्युत आपूर्ति कम्पनी लि०
१५/७१ सिविल लाइन्स
बानपुर (उत्तर प्रदेश)

महोदय,

एतत्सह कम्पनी अधिनियम, १९५६ की धारा ६१९(४) के अधीन बानपुर विद्युत आपूर्ति कम्पनी लि० को समाप्त होने वाले वर्ष के लेखे पर भारत के नियंत्रक महालेखापरीक्षक की टीका-टिप्पणियों कम्पनी अधिनियम, १९५६ की धारा ६१९ (५) के निबन्धनों के अनुसरण में कम्पनी की वार्षिक सामान्य बैठक के समक्ष प्रस्तुत करने हेतु अप्रेषित की जा रही है। कृपया वार्षिक सामान्य बैठक के समक्ष इस टीका-टिप्पणियों के प्रस्तुत किये जाने की वास्तविक तिथि की सूचना दें।

निदेशक-प्रतिवेदन के परिशिष्ट रूप में प्रकाशित होने वाली कम्पनी लेखा की समीक्षा एतत्सह संलग्नक है।

The Report has been prepared on the basis of information furnished and made available by the auditee. The Office of the Accountant General (Commercial & Receipt Audit), Uttar Pradesh, disclaims any responsibility for any misinformation and/or non-information on the part of auditee.

कृपया पत्र की पावती भेजें।

सहपत्र-यथोपरि: ५ शीट्स

भवदीय

(बीमन्द्र कुमार)
महालेखाकार

A.D.C.A.
लखनऊ
३५३

Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the accounts of Kanpur Electricity Supply Company Limited, Kanpur for the year ended 31 March 2003.

Balance Sheet

Application of Funds

Current Assets, Loans and Advances (Schedule-E)

Cash and Bank Balances: Rs. 20.58 crore

1. Cash at Bank with Scheduled Banks in current account Rs. 11.40 crore

- (a) The short credit of Rs 10.10 crore representing the difference between bank balance (Bank Receipt Account) shown in the bank statement and cash/ bank book upto 14.1.2000 was debited to Uttar Pradesh Power Corporation Limited account without their confirmation. The reasons for such differences have still not been ascertained to effect the correct accountal either in the account of Sundry Debtors (due to bouncing of cheques), Bank Account or Utter Pradesh Power Corporation Limited as the case may be. Despite CAG's comment on the accounts of the company for the years ended March 2000, 2001, 2002, no corrective action has, however, been taken.
- (b) The above is understated by Rs 53.70 lakh due to non inclusion of the balance lying in account No. 17055 (New account No. 75307)
- (c) The above also includes stale cheques valuing Rs 5.10 lakh remain unadjusted/reversed resulting in understatement of cash at Bank and liability by Rs 5.10 lakh.

2. Sundry Debtors (Schedule E): Rs 482.27 crore

The above includes Rs 62.18 crore being dues from Government departments which were to be adjusted against loan from Uttar Pradesh Power Corporation Limited. As the adjustment of the same has not been done, this has resulted in overstatement of Sundry Debtors as well as Secured Loans by Rs 62.18 crore.


3. Stores and Spares (Schedule E): Rs 18.89 crore.

A reference is invited to Comptroller and Auditor General of India's comment No. II (iii) (b) on the accounts of the Company for the year ended 31 March 2002. The Company has yet to make any provision for value reduction/obsolescence against scrap/obsolete/non and slow moving inventories valued at Rs 1.57 crore. By not doing so, Stores and Spares are overstated and Loss for the year is understated by Rs 1.57 crore.

4. **Current Liabilities and Provisions: (Schedule F) Rs 635.14 crore.**

Other liabilities: Rs 54.37 crore

The above are understated by Rs 71.04 lakh due to non-inclusion of liability of house tax payable to Nagar Nigam, Kanpur for the period upto March 2003. Due to non-provision of the same the Liabilities as well as Loss for the year are understated by Rs 71.04 lakh.


Accountant General.