P. L. Tandon & CO.
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To The Members of

Kanpur Electricity Supply Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Kanpur Electricity Supply Company Ltd. (hereinafter referred to as KESCO), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstance but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial control system over financial reporting and operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis for Qualified Opinion

We invite attention to:-

1- Non-compliance of Accounting Standard (AS) 15 on "Employee Benefits" issued by the Institute of Chartered Accountants of India (ICAI) to the extent that the company has not actuarially valued its liabilities towards Gratuity, pension and leave encashment as at the year end. Instead provision there for has been made on the basis of actual liability determined by the management at the percentage given in actuarial report dated 09th November, 2000.

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Impact of the same, if any, on the loss for the year is not ascertainable.

2- **Note (28A) 2 (i) and (vi) of significant Accounting policy –**

Para (c) of 2(i) and para (a) and (h) of 2(vi) regarding accounting of certain incomes on basis other than accrual in non-compliance of Accounting Standard-9 on "Revenue Recognition" issued by ICAI.

3- **<u>Billing of Revenue:</u>**

a- In some cases the Company continues to bill consumers on provisional basis on account of "no reading" "defective meter" "defective reading" "Inoperative debtors" etc in contravention to the provisions of the Electricity Act, 2003 and Accounting Standard -9 on "Revenue Recognition" issued by ICAI.

b- The billing system of the company has not been verified by us. The System Audit has not been conducted during the year. Hence we can't comment upon the adequacy of controls inbuilt into the billing system including online.

c- As per the information provided to us the company has during the year, revised total bills numbering 62,725 amounting to Rs. 1080.33 Crores that have been reduced to Rs. 113.60 Crores resulting into reduction by Rs. 966.73 Crores which has not been verified by us in absence of requisite details / evidence. As substantial number of consumers are not regular in payment of their dues, further revision, if required, may affect the revenue and debtors already accounted for.

d- In some cases the company is not complying with the provisions of 5.7 (d) and (e) of Electricity supply code (third revision) of revising bills of previous three billing period prior to the month in which the dispute has arisen where the meter is found defective which requires adjustment in the subsequent bill as per the test results.

e- The company continues to bill under IDF, RDF and ADF category beyond (2+1) billing cycle as required by electricity supply code. On scrutiny of billing there were some cases in which provisional bills were prepared by the company even after the expiry of (2+1) billing cycle.

Impact of the above paras on the Loss, Assets and Liabilities is presently not quantifiable.

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4- **Fixed Assets and Depreciation:**

a- Note 30(ii) regarding the fixed assets having been taken over by the company from U. P. Power Corporation Limited (UPPCL) at an estimated gross value of Rs. 260.00 Crores (with NIL accumulated depreciation), the values as approved by the Board of Directors of the company without the details of the individual assets being available with a consequential effect of overstating / understating the assets / liabilities of the company.

b- Items of fixed assets that have been retired from active use and are held for disposal are not stated at the lower of their net book value and net realizable value as per AS-10 "Accounting of Fixed Assets". These assets continue to form part of Fixed Assets schedule resulting into overstatement of Gross Block and Accumulated Depreciation.

c- Depreciation rate has been changed from the rate prescribed in Schedule XIV of the Companies Act, 1956 to Annexure-C of U.P.E.R.C. (Multi Year Distribution Tariff) Regulations, 2014 in accordance with schedule II of the Companies Act, 2013.Depreciation has not been computed in accordance with the provisions of schedule II of the Companies Act, 2013. The impact of change in rate of depreciation on the amount of depreciation has also not been disclosed in the financial statements.

d- In absence of separate records of company's own fixed assets and fixed assets constructed on behalf of the consumers, we could not verify the correctness of gross cost of company's own fixed assets and amount of depreciation thereon amounting to Rs. 13,08,00,713 charged to statement of profit and loss. No records were made available in respect of contribution received from the consumers for the construction of fixed assets on their behalf. Further, amount of amortization of contribution received from consumers towards cost of capital assets could not be verified.

Impact of the above paras on the Loss, Assets and Liabilities is presently not quantifiable.

5- **Capital Works in Progress:**

a- Note '11' Capital Work in progress wherein, there is an unreconciled difference of Rs. 89.78 lacs in the details submitted by the management.

b- The total amount of capital work in progress includes Rs. 12,21,16,801 relating to various projects. This amount has been brought forward from earlier years and no expenses have been incurred during the year towards these projects. Current status of these projects along with reason for non completion thereof has not been given to us.

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Impact of the above paras on the Loss, Assets and Liabilities is presently not quantifiable.

6- The company has its construction division. The administrative overhead of this division amounting to Rs. 1,41,16,365 have been capitalized however the same should have not been capitalized as per para 9.3 of Accounting Standard - 10 issued by the ICAI. Para 9.3 of AS-10 reads as under:

"Administration and Other general overhead expenses are usually excluded from the cost of fixed assets because they do not relate to a specific fixed asset. However, in some circumstances, such expenses as are specifically attributable to construction of a project or to the acquisition of a fixed asset or bringing it to its working condition, may be included as part of the cost of the construction project or as a part of the cost of the fixed asset".

7- Non-compliance of Accounting Standard- 28 on "Impairment of Assets" notified under the Companies (Accounting Standard) Rules, 2006 issued by ICAI to the extent that the company has not identified and segregated tangible fixed assets which have been impaired as at the year end. Impact of the same, if any, on the loss for the year is not ascertainable.

8- The company has not identified the realizable value of inventory of damaged stock as at the year end. Stocks of scrap have been valued at zero value without any technical department report. Therefore this is non compliance of Accounting Standard- 2 "Inventory Valuation" issued by ICAI.

Impact of the same, if any, on the loss for the year is not ascertainable.

9- <u>Trade Receivable</u>

a- In absence of proper system of analyzing Trade Receivables, the company has made disclosure of Trade Receivables as required by schedule III of the companies Act, 2013 on estimated basis. Hence the correctness of the disclosure of Trade Receivables for a period exceeding six months and other receivables could not be verified.

b- In terms of the provisions of Uttar Pradesh Transfer of KESA Zone Electricity Distribution Undertaking Scheme, 2000, out of the total Trade Receivables of Rs. 630 Crores, Trade Receivables to the tune of Rs. 60 Crores related to the company and Rs. 570 Crores were stated to be relating to UPPCL on which collection charges @15% were to be credited to the account of the company.

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c- However, since the company has assumed that all the current year's realizations are against current year sales, no collection charges have been claimed from UPPCL.

d- During the year an amount of Rs. 10,01,62,685 have been debited to Repairs & Maintenance – Metering Equipment in profit & loss statement by crediting to Trade Receivables towards adjustment of meter cost not recoverable from customers. However, no details and documentary evidence have been provided to us. We therefore could not verify it.

e- The company has made provision for doubtful debts @15% of the incremental value of the Trade Receivables based on the estimate of the management. In absence of balance confirmation of trade receivables, we have not been able to obtain sufficient appropriate audit evidence with regard to the amount of provision for doubtful trade receivables Rs. 620.72 Crores and recoverability of Trade Receivables , particularly having regard to-

i. The aggregate amount of trade receivable outstanding for a period exceeding six months being Rs. 3,130.99 Crores (calculated on estimated basis by the management out of total Trade Receivables of Rs. 3,616.40 Crores of which 1,210.46 Crores are unrealized late payment surcharge which are accounted for on receipt basis)

ii. The agewise details of Trade Receivables has not been provided to us.

iii. current Status of permanently disconnected connections wherein the consumers are not available / traceable and units which have remained closed since long etc.

Impact of the above paras on the Loss, Assets and Liabilities is presently not quantifiable.

10- Loans & Advances

a- Advance to Fabricators Dr. Rs. 36,04,61,050

This is the cost of various materials issued by the company to various contractors for work awarded to them. Total amount includes Rs.27,31,62,860 being cost of materials issued to contractors in earlier years. No information is available in respect of progress/ status of projects for which materials have been issued. In absence of any documentary evidence we are unable to comment on the recoverability of this large amount of advance.

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b- Advance to contractors/suppliers, staff and other Misc. Recoveries Dr. Rs. 7,55,68,529

- The total amount includes advance paid to contractors, suppliers, employees, other misc. recoveries etc. It is the policy of the company to provide for doubtful advances in respect of all the balance which are more than two years old.
- The total amount of provision for doubtful advance made by the company till 31-03-2015 in respect of advances more than two years is Rs. 5,40,05,477 against the total advance amount of Rs. 7,55,68,529. The provision for doubtful advance in respect of advance paid to employees of the company should not be made.
- In absence of any documentary evidence in support of making provision for doubtful advance, we are unable to comment on the recoverability of advance and on accuracy of amount of provision of doubtful advances.
- There are various others old debit balances brought forward from previous years in respect of which neither balance confirmation of respective parties was provided to us nor any other documentary evidence was available to verify the recoverability of the amount of advance.

11- **Cash In Hand** **Rs.47,98,817**

As per policy of the company, cash received from customers is required to be deposited into bank on next working day. However, it has not been strictly followed by the company.

12- **<u>Reserve & Surplus</u>**

a- **Capital Reserve** **Rs.1,69,47,75,796**

This is the amount received from customers to construct the fixed assets on their behalf but detailed register showing the customer wise amount received was not provided to us. Therefore, we could not verify the same.

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b- Restructuring Account **Cr.Rs. 14,45,68,024**

It is shown as other reserve under the schedule of Reserve & Surplus.

It has been explained by management that the aforesaid amount is the difference between the KESCO & KESA as on date of transfer and pending for final adjustment/reconciliation. (Refer note 38)

However, this amount was grouped as "other long term liabilities" in previous year.

c- The company has received operational loss subsidy Rs. 236.06 Crore out of which an amount of Rs. 114.26 crore relate to earlier years. The details of scheme on the basis of which subsidy received from government has not been provided to us.

Amount of subsidy relating to earlier years has been adjusted in the opening balance of surplus and subsidy relating to current year amounting to Rs. 121.80 crore has been disclosed as other income in profit & loss.

d- Receipts from Kanpur Development Authority (KDA) for the current year amounting to Rs.29.17 lacs (Previous year Rs. 22.53 Lacs) have been accounted for as capital receipt. These receipts are towards supervision charges being paid by KDA in respect of capital work done by KDA and supervised by KESCO. These receipts are Revenue Receipts and should have been accounted for as income. Had the Company accounted for these receipts as income during the year, the loss for the year would have been lower by this amount.

13- Share Application Money Pending Allotment **Rs. 377,82,24,918**

The company's "Authorized share capital" is Rs. 300 Crore and "Issued & paid up capital" is Rs.163.14 Crore as of 31st March, 2015. Further, there is share application money pending allotment Rs. 377.82 Crore as of 31st March, 2015 which together with the issued/subscribed capital exceeds the authorized capital.

In terms of Section 42 of the Companies Act, 2013, the companies are required to allot the share within 60 days of receiving application money and in case of failure the companies are required to refund the application money along with interest.

The company has not made any provision for interest payable on application money nor allotted the shares within time limit stipulated in Section 42 of the Companies Act, 2013.

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Share application money pending allotment for more than 60 days has not been disclosed as other current liabilities in financial statements as required by schedule III of the Companies Act, 2013.

14- Borrowings

a- In the undernoted loan from U.P.Power Corporation Limited (UPPCL), agreement of loan was not shown to us. We, therefore, could not verify the rate of interest, terms and conditions of loans, repayment schedule of loans etc.

a. Loan from UPPCL (Holding Company)	Rs. 195,00,00,000
b. Loan against Power Purchase from UPPCL	Rs. 22,77,97,714
b. Loan from Rural Electrification Corporation Limited	Rs. 90,00,00,000
c. Loans from banks & others (Through UPPCL)	Rs. 1975,56,29,343
d Loans from Power Finance Corporation Limited	Rs. 90,00,00,000
e. Bonds	Rs. 6,59,39,80,400

b- Interest on the following loans has not been provided in the books.

Term Loan from UPPCL	Rs. 110,00,00,000
Loan for terminal benefit liability	Rs. 85,00,00,000
Loan against Power Purchase from UPPCL	Rs. 22,77,97,714

c- In the undernoted loans, maturity profile of loans has not been disclosed in the financial statement in accordance with schedule III to the Companies Act,2013-

• Loan from UPPCL (Holding Company)	Rs. 195,00,00,000
• Loan against Power Purchase from UPPCL	Rs. 22,77,97,714
• Loan from Rural Electrification Corporation Limited	Rs. 90,00,00,000
• Loans from banks & others (Through UPPCL)	Rs. 1975,56,29,343
• Loans from Power Finance Corporation Limited	Rs. 1,41,81,23,648
• Bonds	Rs. 6,59,39,80,400

d- In the undernoted cases no details/basis of current maturities of long term debt have been provided to us. Therefore, it could not be verified by us.

• Bank Loan-	Rs. 1,03,83,82,235
• REC Loan-	Rs. 24,61,29,612
• PFC Loan-	Rs. 5,35,92,858

e- Secured Loan amounting to Rs. 1,975.56 Crores (Note No. 4 (iii) includes Rs. 1841.75 and Note No. 8 (iii) includes Rs. 133.81 Crores) transferred from UPPCL (the holding company) taken from various banks and others could not be verified

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by us in absence of detailed evidence available with the company as the same has been accounted for on the basis of advice received from UPPCL.

f- The company has received a credit note from UPPCL (Holding Company) dated. 24-06-2015 for Rs. 102.82 Crore for subsidy for reimbursement of interest payment on bonds.

The said credit note has been adjusted as under:

Rs. 45.55 Crore against subsidy receivable from Government for Financial Year 2013-14 and Rs. 57.27 Crore credited to a liability account (UPPCL).

Balance subsidy Rs. 31.05 Crore for the Financial Year 2014-15 has been shown as receivable from government by corresponding credit to UPPCL. Similarly, the interest paid/payable on bonds has been debited/credited to a Liability account (UPPCL).

The government order in support of above entries have not been produced before us.

The subsidy receivable and interest payable have not been charged/credited to Profit & Loss account in accordance with Accounting Standard-12 on Accounting for Government Grants issued by ICAI.

g- Following loans taken on behalf of KESCO by UPPCL (the Holding Co.) were transferred to KESCO. No charge has been created with ROC by the KESCO in this regard.However it has been shown as **"SECURED"**.

- PFC Loan of Rs. 90.00 Crores
- Loan transferred from UPPCL Rs. 1,975.56 Crores
- Loan taken from REC Ltd. Rs. 90.00 Crores

15- Security Deposit from Consumers:

Note 35 regarding the provision of interest payable on security deposits received from consumers having been made on the gross monthly opening cumulative ledger balances (net) instead of individual consumer balances. Therefore, customer wise amount of interest payable on security deposit upto 31st March, 2015 could not be verified.

Impact of the above paras on the Loss, Assets and Liabilities is presently not quantifiable.

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16. Other Current Liabilities

a- "Interest Payable on Electricity Duty" amounting to Rs.247.77 Crores which has not been paid to the State Govt. in view of non recovery of the same from consumers. This liability includes a provision of Rs. 34.99 Crores made during the year. As informed by the management, the matter of waiving / adjusting the same from Govt Grant is under process. It is further noted that as per the UP Electricity duty Act, 1952 section 4, the company is required to pay interest @18% per annum on overdue amount of Electricity duty remaining unpaid until payment thereof. The company is making interest provision at simple interest on the total unpaid amount of electricity duty instead of overdue unpaid amount.

b- (i) Liability for Capital Supplies/Works Rs. 11,77,45,130

This amount is payable to various suppliers towards cost of capital supplies and other materials .Therefore this liability should be disclosed as **"Trade Payable"** in Balance Sheet. Further, no details regarding various balances brought forward from previous years have been provided. Therefore, we are unable to comment on the same.

(ii) Liability for O & M Supplies/Works Rs. 5,74,51,321

This amount includes Rs. 3,36,43,750 payable to various suppliers towards cost of stores spares and other materials .Therefore this liability should be disclosed as **"Trade Payable"** in Balance Sheet. Further, no details regarding various balances brought forward from previous years have been provided. Therefore, we are unable to comment on the same.

c- **Amount Payable to Other Miscellaneous Recoveries/ Court Recoveries Payable** **Rs. 12.92 lacs**

We could not verify the total amount of Rs. 12.92 lacs as documentary evidence to prove total amount of Rs. 12.92 lacs is payable has not been shown to us.

17. Inter Unit Transfer **Cr. Rs. 9,71,895.00**

The aforesaid amount has been brought forward from previous year and no details are available. Therefore, we are not able to comment on the same.

Impact of the above para on the Loss, Assets and Liabilities is presently not quantifiable.

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18. No provision towards Wealth Tax Liability has been made by the company. The impact of unprovided liability cannot be commented.

19. Balances of trade receivables, trade payables, loans & advances, balances in current & noncurrent liabilities, suppliers, inter unit balances and various balances with the holding company UPPCL and other company UPPTCL are subject to confirmation, reconciliation and subsequent adjustment.

    Impact, if any on the assets / liabilities and / or income / expenditure consequent to such reconciliation is presently not ascertainable.

20. **<u>Internal Control:</u>**

    Internal control system with regard to fixed assets, inventory of damaged stock, scrap stock, billing revenue etc. requires to be further strengthened.

21. Note 38 regarding the balance of KESCO and KESA being subject to reconciliation. Impact if any, of the same on the assets / liabilities and / or income / expenditure consequent to such reconciliation is presently not ascertainable.

22. Note 37 (ii) regarding the joint meter reading for purchase of power from UPPCL not being taken at 12 midnight on the 31st March 2015, the impact of such a method on the reported loss for the year on account of the cost of power purchase being inflated, is not ascertainable.

23. **<u>Net Prior Period Income/Expense:</u>**

    The subsidy of Rs. 45.55 Crore shown as other income in the Financial Year 2013-14 has been reversed during the year by debit to operating income of earlier years and similarly interest on bonds Rs. 45.55 Crore related to Financial Year 2013-14 has been reversed and shown as operating expense of earlier years.No justification for passing this entry was provided to us .However this has no effect on Loss for the year.

24. Non appointment of a Company Secretary by the Company has resulted in non compliance of the provisions of section 203 of the Companies Act, 2013. In absence of full time company Secretary, we are not in a position to comment on the adequacy of records being maintained and the extent of compliance with various laws and regulations which a Company Secretary is required to look into.

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25. Internal auditors vide their Report dated 30.01.2016 for the Financial Year 2014-15 , observed the following deficiencies for which compliance has yet to be made by the management:
   (a) Improper updation of Management Information System.
   (b) Cases where incorrect tarrif code applied which resulted in incorrect billing due to incorrect classification of consumers by divisions concerned.
   (c) Cases where supply type wrongly marked as zero resulting in under billing
   (d) Cases where total charges billed as zero resulting in revenue loss.
   (e) There are 89,503 cases where the billing had been done on the basis of ADF/IDF/PROV/RDF/NA/NR during the year.

   Compliance report on the internal audit report not provided to us.

   Therefore, Impact of the above paras on the Loss, Assets and Liabilities is presently not quantifiable.

26. We are of the opinion that there may be many unascertained amount requiring disclosure in addition to the ascertained amount that will have an effect on the loss, Asset and Liabilities and furnishing the aggregate effect of only the ascertained amount will not be appropriate, hence we are not furnishing the aggregate effect of the ascertained amount on the Loss, Assets and Liabilities.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described under the heading **"Basis for Qualified Opinion Paragraph above",** including the matters whose effect on the loss for the year and assets / liabilities as at March 31, 2015 is unascertainable, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2015;
(b) in the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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Emphasis of Matter

We draw attention to the following paragraphs in the notes forming part of the financial statements and certain other matters specified, herein below. Our opinion is not qualified in respect of these matters:

(a) Note 33 (i) regarding the Company not having ascertained the value of the leasehold land received from UPPCL as it continues to hold the same at a nominal value of Re. 1.00.

(b) Note 33 (ii) regarding the sum of Rs. 7.44 Crores having been deposited with the state government for conversion of leasehold land to freehold. The corresponding lease deed is not on record and in spite of the same reportedly being in the name of UPPCL (as lessor), the amount paid for conversion to freehold by the Company (as lessee) has not been reflected as being receivable from UPPCL, the lessor. There is however, no impact of the same on the loss for the year.

(c) Notes 4 and 8 regarding the disclosure by the management of the Loan for Terminal benefit liabilities from UPPCL (Holding Company) of Rs. 85 Crores as secured loan in spite of the relevant loan agreement remaining to be executed as at the year end. In the absence of the same and details of security also not being available, we have not been able to ascertain the correctness of the classification of the loan as Secured by the management as at the year end.

(d) "Contingent Liabilities and Commitment arising out of the claims against the company not acknowledged as debts" and "Estimated amount of Contracts remaining to be executed on capital accounts not provided for" under notes 29 (i) and (ii) respectively are as submitted by the management and have not been verified by us in the absence of any details having been provided by the management.

(e) The Company's computerization of the financial and accounting operations are not satisfactory. Financial Accounting has been computerized only to the extent of maintaining General Ledger based on consolidated entries of SJ's passed in Tally software together with closing entries of provisions, yearend adjustments etc. The base entries are still manual. The Company needs to computerize operations at all locations implementing a customized ERP software with administrative and user rights as per the delegations chart.

M/s P.L. TANDON & CO
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Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order ,2015 ("the Order") , issued by the Central Government of India in terms of sub – section (11) of section 143 of the Companies Act,2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the order, to the extent applicable.

2. As required by Section 143 (3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit audit except the matter described under the heading in the **"Basis for Qualified Opinion"** Paragraph above.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books subject to the following:

   (i) Partywise security deposit register is not maintained.

   (ii) Subsidiary record of debtors is not maintained in a manner that can give correct disclosure as required by the Schedule III of companies Act 2013 and age analysis.

   (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid financial statements comply with Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 except non- compliance of following Accounting Standards:

   (i) Accounting Standard- 2 (Valuation of Inventories)
   (ii) Accounting Standard- 9 (Revenue Recognition)
   (iii) Accounting Standard- 10 (Accounting for fixed Assets)
   (iv) Accounting Standard- 12 (Accounting for Government Grants)
   (v) Accounting Standard- 15 (Accounting for Retirement Benefits)
   (vi) Accounting Standard- 28 (Impairment of Assets)

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Impact of the above non- compliance of Accounting Standards on the Loss and Assets and Liabilities is presently not quantifiable.

(e) Being a Government Company, pursuant to the notification number GSR 463(E) dated June 5, 2015, issued by the Government of India, the provisions of section 164(2) of the Companies Act 2013 are not applicable to the Company.

For P.L. Tandon & Co.
Chartered Accountants
Firm Reg. No.: 000186C

M/s P. L. TANDON & CO.
FRN 000186-C
KANPUR
Chartered Accountants

P.P.SINGH
(Partner)
M.No. 072754

Place: Kanpur
Date:27-12-2016

Annexure to the Independent Auditors' Report

Re: Kanpur Electricity Supply Company Limited

Referred to in paragraph 1 under the heading "Report on other Legal and Regulatory Requirement" of our report of even date.

(i) In respect of its fixed assets:

a) The Fixed Assets records maintained by the Company do not contain (in some cases) sufficient description of the Assets to make identification possible including make / type, location / situation, actual date of purchase, assets that have been retired from active use and held for disposal etc.

b) The Fixed Assets of the Company have not been physically verified by the management at any time during the year. Accordingly, the reconciliation of the quantity as per the books and that as per physical count was not carried out by the management on account of which material discrepancies, if any were not determined as at the end of the year.

c) Separate record in respect of company's own fixed assets and assets constructed on behalf of the consumers has not been maintained. We, therefore, could not verify the cost of company's own fixed assets and depreciation thereon.

(ii) In respect of its inventories

a) As explained to us inventories have been physically verified during the year by the management at the year end.

b) In absence of substantive evidence of physical verification other than year end, we can't comment on the adequacy of system of physical verification.

c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory except our comments below. As per information and explanation given to us by the management, no material discrepancies were noticed on physical verification.

M/s P.L. TANDON & CO. FRN 000186-C KANPUR Chartered Accountants

- There was difference of Rs. 4,58,27,747 (due to issue rate difference) in amount of inventory as per store record and as per books of accounts. The excess amount of Rs. 4,58,27,747 as appearing in stock record has been adjusted to the credit of various Repair and Maintenance accounts in the books.

d) Stock of scrap spares and damaged spares have not been valued and has been shown at NIL value.

e) Stock records of reclamated used / burnt transformer oil has not been maintained .However reclamation charges paid for used/ burnt transformer oil has been debited to profit and loss statement under the expenses head- " Repair and Maintenance".

(iii) In respect of loans, secured or unsecured, granted by the Company to Companies, firms or other parties covered in the register maintained under section 189 of the Companies Act 2013, according to the information and explanations given to us :

As informed, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under the Section 189 of the Companies Act. Accordingly, the provisions of paragraph 4 (iii) (a) to (c) of the Companies (Auditor's Report) order, 2015, are not applicable to the company.

(iv) In our opinion and according to the information and explanations given to us, internal control system with regard to purchase of inventory and fixed assets required to be further strengthened. In case of sale of energy and services also there is need for improvement of internal control with respect to taking of stringent and appropriate measures to control electricity theft where it is in excess of normal line losses. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have not observed any continuing failure to correct major weaknesses in the internal controls system except in case of energy theft in various divisions as referred to above which is more in comparison to the normal losses.

(v) In our opinion and according to information and explanations given to us, the company has not accepted any deposits within the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act , 2013 , therefore , the provisions the Companies (Auditor's Report) order, 2015, are not applicable to the company.

(vi) The management informed us that the Company has during the current year maintained the Cost record prescribed under sub section (1) of section 148 of the Companies Act, 2013. We have, however, not made a detailed examination of the same with a view to determine whether they are accurate or complete.

(vii) According to the information and explanations given to us, in respect of statutory and other dues:

a) According to the information and explanation given to us and the records of the Company produced and examined by us, in our opinion, the Company has generally been regular in depositing undisputed statutory dues including provident fund (to the trust), Income tax, Sales tax, Wealth tax, Service Tax, duty of custom , duty of excise and value added tax and any other statutory dues applicable to it with the appropriate authorities except for some delays during the year in deposit of the same. The provisions relating to Employee State Insurance Act are not applicable to the Company.

According to the information and explanations given to us , no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax , duty of custom, duty of excise were in arrears as at 31st March, 2015 for a period more than six months from the date they became payable except under noted cases.

Name of the Statute	Nature of the Dues	Amount (Rs.In Crores)	Period to which the amount relates	Due date	Date of Payment
U.P.Government	Electricity duty	209.31	Not Available	Not Available	-

b) According to the information and explanations given to us , there are no dues of income tax, sales tax, wealth tax, service tax, duty of custom and duty of excise which have not been deposited on account of any disputes.

c) According to the information and explanations given to us the amount which were required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act , 1956 (1 of 1956) and rules there under has been transferred to such fund within time.

(viii) The Company has accumulated losses at the end of the year which are more than fifty percent of its net worth. The Company has incurred cash losses during the current year and in the immediately preceding financial year. However, effects of the qualifications which cannot be quantified have not been considered for the purpose of making comments in respect of this clause.

(ix) The Company did not have any outstanding debentures as on the Balance Sheet Date and company has not taken any loan from bank and financial institution except loan through U.P.P.C.L. (Holding Company) from banks and financial institution. Therefore the provisions of paragraph 4 (ix) of the Companies (Auditor's Report) order, 2015, are not applicable to the company.

(x) The company has not given guarantees for loans taken by others from banks and financial institution. Accordingly, the provisions of paragraph 4 (x) of the Companies (Auditor's Report) order, 2015, are not applicable to the company.

(xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company and relevant records produced before us, the company has taken total term loans amounting to Rs. 1,975.56 Crore which has been utilized to pay off the trade payables.

(xii) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For P.L. Tandon & Co.
Chartered Accountants
Firm Reg. No.: 000186C

M/s P. L. TANDON & Co.
FRN 000186-C
KANPUR
Chartered Accountants

P.P.SINGH
(Partner)
M.No. 072754

Place: Kanpur
Date: 27-12-2016

Balance Sheet as at 31st March, 2015

(Amount in Rs.)

		Particulars	Note No.	Figures for current reporting period	Figures for previous reporting period
I.		**Equity And Liabilities**			
	(1)	**Share holders funds**			
		(a)Share Capital	1	1,631,474,000.00	1,631,474,000.00
		(b)Reserve & Surplus	2	(33,399,499,664.00)	(31,558,131,412.00)
		(c)Money received under share warrants			
	(2)	**Share Application Money pending Allotment**	3	3,778,224,918.00	508,932,000.00
	(3)	**Non-Current Liabilities**			
		(a) Long-Term Borrowings	4	27,224,277,953.00	28,651,915,466.00
		(b) Deferred Tax Liabilities (Net)			
		(c) Other Long-Term Liabilities	5	1,521,602,246.00	1,524,309,905.00
		(d) Other Long-Term Provisions		-	-
		SUB TOTAL		28,745,880,199.00	30,176,225,371.00
	(4)	**Current Liabilities**			
		(a) Short-Term Borrowings	6	156,400,000.00	156,400,000.00
		(b) Trade Payable	7	6,313,223,253.00	6,734,389,200.00
		(c) Other Current Liabilities	8	17,093,889,360.00	15,244,212,806.00
		(d) Short-Term Provisions		0.00	0.00
		(e) Inter Unit Transfers	9	971,895.00	971,895.00
		SUB TOTAL		23,564,484,508.00	22,135,973,901.00
		TOTAL		**24,320,563,961.00**	**22,894,473,860.00**
II.		**Assets**			
	(1)	**Non-Current Assets**			
		(a) Fixed Assets			
		(i) Tangible Assets	10	3,267,598,378.00	3,263,159,787.00
		(ii) Intangible Assets			
		(iii) Capital Work-in-Progress	11	272,518,517.00	245,514,172.00
		(iv) Intangible Assets under Development			
		(b) Non-Current Investment			
		(c) Deffered Tax Assets (Net)			
		(d) Long-Term loans and advances	12	360,461,050.00	351,533,818.00
		(e) Other Non-Current Assets		-	-
		SUB TOTAL		3,900,577,945.00	3,860,207,777.00
	(2)	**Current Assets**			
		(a) Current Investments			
		(b) Inventories	13	332,894,274.00	302,855,924.00
		(c) Trade Receivables	14	17,852,126,237.00	16,774,781,735.00
		(d) Cash and Cash Equivalents	15	1,566,117,325.00	1,202,063,610.00
		(e) Short-Term Loans and Advances	16	294,563,742.00	298,971,264.00
		(f) Other Current Assets	17	374,284,438.00	455,593,550.00
		Singnificant Accounting Policies	28(A)		
		Notes on Accounts (Note 1 to 45 form integral Part of Accounts)	28(B)		
		SUB TOTAL		20419986016	19034266083
		TOTAL		**24,320,563,961.00**	**22,894,473,860.00**

As per our separate report of even date
For P.L. Tandon & Co.
Chartered Accountants
FRN:000186C

(P.P. Singh)
Partner
M No: 072754

M/s. P. L. TANDON & CO.
FRN 000186-C
KANPUR
Chartered Accountants

For and on behalf of the Board of Dircertors

(Pankaj Saxena)
Dy. G.M. (Acctts.)

(Abha Sethi Tandon)
Company Secretary

(Rakesh Kumar)
Director (Fin.)

(Selva Kumari J.)
Managing Director

Dated: 27·12·2016
Place: Kanpur

14/71 Civil Lines, Kesa House, Kesco, Kanpur

Profit and Loss Statement for the Year Ended on 31st March, 2015

(Amount in Rs.)

	Particulars	Note No.	Figures for current reporting period	Figures for previous reporting period
(I)	Revenue from Operations (Gross)	18	16,926,068,431.00	15,497,288,527.00
(II)	Other Income	19	1,264,986,937.00	481,244,520.00
(III)	**Total Revenue (I+II)**		**18,191,055,368.00**	**15,978,533,047.00**
	Expenses			
1	Cost of Material Consumed			
2	Purchases of Stock-in-Trade (Power Purchased)	20	16,276,293,501.00	17,381,428,341.00
3	Progress and stock-in-Trade			
4	Employees Benefits Expense (Employees Cost)	21	980,051,474.00	1,025,117,937.00
5	Finance Costs (Interest and Finance Charges)	22	2,740,216,767.00	3,022,217,791.00
6	Depreciation and Amortization expenses	23	130,800,713.00	177,630,212.00
7	Other Expenses			
	a) Administrative, General & Other Expenses	24	573,248,120.00	492,420,093.00
	b) Repairs and Maintenance Expenses	25	460,004,748.00	461,626,108.00
	c) Bad Debts & Provisions	26	193320661.00	113785079.00
(IV)	**Total Expenses**		**21,353,935,984.00**	**22,674,225,561.00**
V	Profit before Prior Period Income (Expenditure), Exceptional and Extraordinary items and Tax (III-IV)		**-3,162,880,616.00**	**-6,695,692,514.00**
VI	Prior Period Income (Expenditure)	27	-9,884,895.00	-44,267,983.00
VII	Exceptional Items			
VIII	Profit before Extraordinary items and Tax (V-VI-VII)		-3,172,765,511.00	-6,739,960,497.00
IX	Extra Ordinary Items			
X	Profit before Tax (VIII-IX)		-3,172,765,511.00	-6,739,960,497.00
XI	Tax Expense:		0	0
	a) Current Tax		0	0
	b) Deferred Tax		0	0
XII	Profit (Loss) for the period from Continuing Operations (X-XI)		-3,172,765,511.00	-6,739,960,497.00
XIII	Profit/(Loss) from Discontinuing Operations		0	0
XIV	Tax Expenses of Discontinuing Operations		0	0
XV	Profit/(Loss) from Discontinuing Operations (After Tax) (XIII-XIV)		0	0
XVI	Profit/(Loss) for the Period (XII + XV)		-3,172,765,511.00	-6,739,960,497.00
XVII	Earnings per Equity Share:			
	a) Basic		(19.45)	(41.31)
	b) Diluted		(19.45)	(41.31)
	Singnificant Accounting Policies	28(A)		
	Notes on Accounts (Note 1 to 45 form integral Part of Accounts)	28(B)		

As per our separate report of even date
For P.L. Tandon & Co.
Chartered Accountants
FRN:000186C

(P.P. Singh)
Partner
M No: 072754

M/s P.L. TANDON & CO.
FRN 000186-C
KANPUR
Chartered Accountants

Dated: 27·12·2016
Place: Kanpur

For and on behalf of the Board of Dircertors

(Pankaj Saxena)
Dy. G.M. (Acctts.)

(Abha Sethi Tandon)
Company Secretary

(Rakesh Kumar)
Director (Fin.)

(Selva Kumari J.)
Managing Director

	ended 31st March, 2015	31st March, 2014
	₹	₹
A. Cash flow from Operating Activities		
Net Loss Before Taxation & Extraordinary Items	(317.28)	(674.00)
Adjustments for:		
a) Depreciation	13.14	17.76
b) Interest & Financial Charges	274.02	302.44
c) Bad Debts & Provision	19.33	0.17
d) Interest income	(4.16)	(2.10)
e) Prior Period Expenditure (Net)	0.00	0.00
f) Fringe Benefit Tax	-	-
g) Subsidy from U.P. Government received	(121.80)	-
Operating Loss Before Working Capital Changes	(136.74)	(355.72)
Adjustments for (increase) / decrease in operating assets:		
a) Stores & Spares	(3.00)	(3.37)
b) Trade Receivable	(126.73)	(65.81)
c) Other Current Assets	8.13	(45.74)
d) Short Term Loans and Advances	0.12	(7.64)
e) Inter Unit Transfer	-	-
f) Other Current Liability	229.39	(67.72)
g) Short Term provision	-	(11.22)
h) Long term provision	-	2.04
i) Sort Term Borrowings	0.00	15.64
j) Trade Payables	(42.12)	(344.36)
k) Other long term liabilities	(0.27)	5.73
l) Decrease /(increase) in Other Non-Current Assets	-	-
m) Decrease/(increase) in Long Term Loans & Advances	(0.89)	(11.64)
Sub Total	64.63	(534.09)
NET CASH USED IN OPERATING ACTIVITIES (A)	(72.11)	(889.81)
B- Cash Flow From Investing Activities		
a) Decrease (increase) in Fixed Assets	(20.30)	(32.75)
b) Decrease (increase) in Capital Work in Progress	(2.70)	19.53
c) (Increase)/(Decrease) in Investment	-	-
d) Interest Income	4.15	2.10
NET CASH USED IN INVESTING ACTIVITIES (B)	(18.85)	(11.12)
C- Cash Flow from Financing Activities		
a) Ptoceeds from Borrowing:		
i. Increase from Borrowing	-	1,166.88
ii. Repayment of Borrowing	(142.77)	-
b) Proceeds from share capital	-	-
c) Proceeds from share application money	326.93	50.89
d) Proceeds from consumers contribution & GoUP capital subsidy (Reserve & Surplus)	25.61	11.19
f) Interest & Financial Charges	(318.46)	(302.44)
g) Accumulated losses as per transfer scheme transferred to UPPTCL	-	-
h) Subsidy from U.P. Government received	236.06	-
NET CASH GENERATED FROM FINANCING ACTIVITIES (C)	127.37	926.52
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)	36.41	25.58
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	120.20	94.62
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	156.61	120.20

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard-3 on Cash Flow Statement

Auditor's Report
As per our separate report of even date
For P.L. Tandon & Co.
Chartered Accountants
FRN:000186C

(P.P. Singh)
Partner
M No: 072754

P.L. TANDON & CO. FRN 000186-C KANPUR Chartered Accountants

Dated: 27.12.2016
Place: Kanpur

For and on behalf of the Board of Dircertors

(Pankaj Saxena) Dy. G.M. (Acctts.)

(Abha Sethi Tandon) Company Secretary

(Rakesh Kumar) Director (Fin.)

(Selva Kumari J.) Managing Director

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED

Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 1 - SHARE CAPITAL

Particulars	As at 31st March, 2015		As at 31st March, 2014	
	Number of shares	₹	Number of shares	₹
(i) Authorised				
Equity shares of ₹ 10 each	300,000,000	3,000,000,000.00	300,000,000	3,000,000,000.00
	300,000,000	3,000,000,000.00	300,000,000	3,000,000,000.00
(ii) Issued				
Equity shares of ₹ 10 each	163,147,400	1,631,474,000.00	163,147,400	1,631,474,000.00
	163,147,400	1,631,474,000.00	163,147,400	1,631,474,000.00
(iii) Subscribed and fully paid up				
Equity shares of ₹ 10 each	163,147,400	1,631,474,000.00	163,147,400	1,631,474,000.00
	163,147,400	1,631,474,000.00	163,147,400	1,631,474,000.00

1) During the period 15th January 2000 to 31st March 2000, 5,99,99,300 Equity Shares were allotted to UPPCL (Holding Company) as fully paid up pursuant to Uttar Pradesh Transfer of KESA Zone Electricity Distribution Scheme, 2000 without payment being received in cash.
2) During the year 2014-15 the company has not allotted any share.

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh Issue during the year	Closing Balance
(a) Issued Equity Shares			
Year ended 31st March, 2015			
Number of shares	163,147,400.00	0.00	163,147,400
Amount (₹)	1,631,474,000.00	0.00	1,631,474,000.00
Year ended 31st March, 2014			
Number of shares	163,147,400.00	0.00	163,147,400
Amount (₹)	1,631,474,000.00	0.00	1,631,474,000.00
(b) Subscribed and fully paid up Equity shares			
Year ended 31st March, 2015			
Number of shares	163,147,400.00	0.00	163,147,400
Amount (₹)	1,631,474,000.00	0.00	1,631,474,000.00
Year ended 31st March, 2014			
Number of shares	163,147,400.00	0.00	163,147,400
Amount (₹)	1,631,474,000.00	0.00	1,631,474,000.00

(ii) Details of shares held by the holding company :

Particulars	Equity shares
	Number of shares
As at 31st March, 2015	
Uttar Pradesh Power Corporation Limited	163,147,400
As at 31st March, 2014	
Uttar Pradesh Power Corporation Limited	163,147,400

(iii) Details of shares held by shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31st March, 2015		As at 31st March, 2014	
	Number of shares held	% holding	Number of shares held	% holding
Equity shares				
Uttar Pradesh Power Corporation Limited	163,147,400	100.0000%	163,147,400	100.0000%

(iv) The company has only one class of equity shares having par value of ₹ 10 per share. Each equity share is entitled to one vote.

In the event of liquidation of the Company the holders of equity share will be entitled to receive the assets in proportion to the number of equity shares held by each of them.

M/s P. L. TANDON & CO.
FRN 000186-C
KANPUR
Chartered Accountants

Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 2 : RESERVES & SURPLUS

Particulars		As at 31st March, 2015	As at 31st March, 2014
		₹	₹
A Capital Reserves			
Consumer Contribution Opening Balance		1,505,939,537.00	2,155,285,281.00
Consumer Contribution Received During The Year		1,017,317,647.92	111,900,086.00
	Sub Total	2,523,257,184.92	2,267,185,367.00
Less: Deduction (Amortized till 31.3.15)		-828,481,388.92	-761,245,830.00
Closing Balance		1,694,775,796.00	1,505,939,537.00
(ii) Subsidies towards Cost of Capital assets as per last financial statement		-	-
(iii) Others		-	-
B Other Reserves			
(i) Restructuring Reserve		0.00	0.00
		144,568,024.00	144,568,024.00
Surplus			
As per Last financial statement		(33,208,638,973.00)	(26,468,678,476.00)
Subsidy Received for operational loss of preveious years		1,142,561,000.00	
Add:- Profit/(Loss) for the year as per statement of Profit & Loss		(3,172,765,511.00)	(6,739,960,497.00)
		(35,238,843,484.00)	(33,208,638,973.00)
	Total	(33,399,499,664.00)	(31,558,131,412.00)

NOTE 3 : SHARE APPLICATION MONEY

Particulars		As at 31st March, 2015	As at 31st March, 2014
		₹	₹
Share Application Money (Pending for allotment to the UPPCL)		3,778,224,918.00	508,932,000.00
	Total	3,778,224,918.00	508,932,000.00

RECONCILATION OF SHARE APPLICATION MONEY

Share Application Money as on 31.03.2014	Received during the year	Alloted During the year	Share Application Money as on 31.03.2015
508,932,000.00	3,269,292,918.00	0.00	3,778,224,918.00

Amount received as Share Application Money during the F.Y. 2013-14 worth ₹ 468500000 00 have been adjusted towards subsidy received from UP Govt. in the current year

M/s P. L. TANDON & CO.
FRN 000186-C
KANPUR
Chartered Accountants

Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 4 : LONG TERM BORROWINGS

Particulars		As at 31st March, 2015	As at 31st March, 2014
		₹	₹
Secured Term loans (Refer note below)			
(i) From UPPCL (Holding Company)			
Loan Outstanding As on 31/03/2015	1,950,000,000.00		
Less: Amount overdue shown as current liability under Note -09	1,950,000,000.00	0.00	0.00
(ii) Loan from UPPCL (Holding Company)			
Loan against Power Purchase (Unsecured)	227,797,714.00		
Less: Amount overdue shown as current liability under Note -09	227,797,714.00	0.00	0.00
		0.00	0.00
(iii) Rural Electrification Corporation Limited		900000000.00	900000000.00
(iv) Term Loan from Banks & Others (through UPPCL)		18417524638.00	16442818085.00
Syndicate Bank	189411587.00		
Krur Vysya Bank	22144019.00		
State Bank of India	676159972.00		
Punjab National Bank	2193302226.00		
Vijay Bank	517610723.00		
Union Bank of India	1281881775.00		
Allahabad Bank	724950408.00		
Indian Overseas Bank	516885245.00		
Dena Bank	384618045.00		
Central Bank of India	1810228382.00		
Bank of Maharashtra	259748417.00		
UCO Bank	834227168.00		
Bank of Baroda	359224095.00		
Oriental Bank of Commerce	1056667294.00		
Bank of India	431022205.00		
South Indian Bank	109333610.00		
Punjab and Sindh Bank	501754746.00		
Federal Bank	59684430.00		
Corporation Bank	638040196.00		
Canara Bank	1612210145.00		
Total	14179104688.00		
PFC Transitional Loan	2061747202.00		
REC Loan	2176672748.00		
G Total	18417524638.00		
(v) Power Finance Corporation Limited			
(A) Loan Outstanding As on 31/03/2015	518123648.00		
(B) Loan Outstanding As on 31/03/2015	900000000.00		
Sub Total	1418123648.00		
Less: Amount shown as current Liabilities Note-09	105350733.00	1,312,772,915.00	1,418,123,653.00
(vi) Bonds (interest payable @ 9.68%)	-	-	-
Parri Passu/receivables & Govt. guarantee		6,593,980,400.00	9,890,973,728.00
Sub Total		6,593,980,400.00	9,890,973,728.00
Total		27,224,277,953.00	28,651,915,466.00

M/s P.L. TANDON & CO.
FRN 000186-C
KANPUR
Chartered Accountants

Notes forming part of the financial statements for the year ended 31st March, 2015

Notes on loans:

(a) Loan from Uttar Pradesh Power Corporation Ltd (Rs 195.00 Crore)

(i)Secured Loan from UPPCL of ₹ 110.00 Crores are secured by way of the first charge over the distribution system and the distribution assets of the erstwhile KESA as transferred to KESCo by the transfer scheme as on the appointed date.

(ii) Terminal benefit liabilities of ₹ 85.00 crores as on 15.01.2000 transferred to KESCo as per the transfer scheme were taken over by the State Government vide its order no. 3972 dated 09.02.2004. The said amount of ₹ 85.00 Crores has been considered as Secured loan from UPPCL even though the loan agreement between the parties is pending to be executed, and accordingly the Security details cannot be ascertained.

The above term loans are fully overdue hence the same has been refelected as Other Current Liabilites under Note No- 8.

The Board of Directors of UPPCL had resolved on the 19th of October 2005 that the interst would not be payable by KESCo to UPPCL till such time it does not earn profit accordingly, no provision has been made during the year by the Company for the liability on account of the aforesaid interest and surcharge.

Rate of Interest

REPAYMENT & INTEREST DETAILS

Loan against Power Purchase is repayable on demand

The Board of Directors of UPPCL had resolved on the 19th of October 2005 that the Interest on the Unsecurad loan against power purchase, would not be payable by KESCo to UPPCL till such time it does not earn profit.

Accordingly, no provision has been made during the year by the Company for the liability on account of the aforesaid interest.

DEFAULT IN REPAYMENT OF INTEREST & PRINCIPAL AMOUNT

Particulars	As at 31st March, 2015		As at 31st March, 2014	
Term loans from UPPCL (Holding Company)	Period of default	₹	Period of default	₹
Term Loan	6 years	1,100,000,000.00	5 years	1,100,000,000.00
Terminal Benefit Liability	Refer Note below	850,000,000.00	Refer Note below	850,000,000.00

Terminal Benefit Liability : In the absence of any agreement having been executed the period of default of the Term Loan of ₹ 85 Crores cannot be ascertained.

b) Rural Electrification Corporation: This loan has been transferred from UPPCL (holding company) and is guaranteed by the State Govt. The loan carry a interest of 13.25% with moratorium of 36 months which is to be repaid in 84 equated monthly installment thereafter.

(c) Term Loan from Banks & Others (through UPPCL): These loans have been taken form various financial institutions and others and have been transferred by UPPCL to the company. These are secured against Trade Recievables by the company. The loan is repayable in 84 monthly equated installments after a moratorium of 36 months and due for repayment starting from April 2015 except loan taken from Noida which is interest free .

(d) Power Finance Corporation Limited

The Secured loan from Power Finance Corporation Limited is secured by the hypothecation by way of first charge over the whole of the moveable assets of the Company under the APDRP scheme including replacement thereof whether stores, lying loose or in transit. An additional loan amounting to Rs 90.00 crore has been transferred from UPPCL (holding company) and is guaranteed by the State Govt. This additional loan carry a interest of 12.62% with moratorium of 36 months which is to be repaid in 84 equated monthly installment thereafter. Terms and conditon of old loan are given hereunder.

TERMS OF REPAYMENT AND RATE OF INTEREST ON LOAN

1 : PFC 08621002 : Corporation sanctioned a loan of ₹ 32.14 Crore for the implementation of the Kanpur Town / Circle Scheme under APDRP , involving a total cost of ₹ 64.28 Crore on the terms & conditions contained in the corporation's letter dated 28th July 2005 & amendment thereof dated 16th September 2005.

Date of Disbursement	Amount of Disbursement	Repayment Terms
10th October 2005	48,210,000.00	The loan shall be repaid in Forty (40), equal quarterly installments and interest and other monies thereon as per the terms of the Memorandum of Agreement. The first installment will become due on 15th day of April 2007.
21st November 2005	69,072,855.00	
30th December 2005	66,496,619.00	
31st January 2006	60,168,132.00	
26th April 2006	33,917,311.00	
4th July 2006	760,381.00	
10th November 2006	42,774,702.00	
	321,400,000.00	

Rate of Interest

As per the Agreement executed between the parties, KESCo was to pay interest at the rates as applicable on the date of each disbursement pertaining to the grading of the borrower alongwith interest tax at the rates applicable from time to time.

Further, notwithstanding anything herein above, the Corporation has the right to reset the rate of interest at its discretion. The revised rates to take effect from such date as may be specified by the Corporation in this behalf.

The rate of interest during the year 2014-15 is 13 & 13.25 % as per the Statement received from PFC.

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2 : PFC 08621003 : In respect of this project, KESCo & Corporation executed a Memorandum of Agreement dated 06.11.2006 whereby the Corporation agreed to grant a additional loan of ₹ 16.07 Crore.

Date of Disbursement	Amount of Disbursement	Repayment Terms
15th December 2006	24,100,000.00	The loan to be repaid in Forty (40), equal quarterly installments and interest and other monies thereon as per the terms of the Memorandum of Agreement. The first installment became due on the 15th day of October 2008 and the subsequent installments became due for payment on the 15th day of July, October, January and April, every year.
01st February 2007	23,988,745.00	
27th February 2007	106,370.00	
02nd March 2007	23,707,625.00	
23rd March 2007	24,018,516.00	
30th March 2007	22,955,473.00	
09th May 2007	18,488,322.00	
15th June 2007	9,051,352.00	
09th July 2007	9,139,592.00	
14th August 2007	3,805,184.00	
19th September 2007	45,575,000.00	
04th December 2007	29,256,126.00	
09th January 2008	26,819,025.00	
18th March 2008	22,930,881.00	
11th April 2008	29,598,409.00	
12th July 2010	22,396,889.00	
18th October 2010	2,183,950.00	
15th March 2011	9,589,002.00	
30th March 2011	53,218,401.00	
	400,928,862.00	

Rate of Interest

As per the Agreement executed between the parties, KESCo was to pay interest at the rates as applicable on the date of each disbursement along with interest tax at the rate applicable time to time pertaining to the grading of the borrower alongwith interest tax at the rates applicable from time to time.

Further, notwithstanding anything herein above, the Corporation has the right to reset the rate of interest at its discretion. The revised rates to take effect from such date as may be specified by the Corporation in this behalf.

The rate of interest during the year 2014-15 was 13.25% as per Statement received from PFC.

3 : PFC 08607001 : Corporation sanctioned a loan of ₹ 49.98 Crore for the purpose of installation of Aerial Bunched Conductor for theft prevention in distribution areas of KESCo on the terms & conditions contained in corporation's letter dated 29th February 2008 and 09th May 2008.

Date of Disbursement	Amount of Disbursement	Repayment Terms
04th August 2008	74,970,000.00	The loan to be repaid by the borrower in sixty (60) equal quarterly installments. The first installment became due on the 15th day of April 2010 and the subsequent installments became due for payment on the 15th day of July , 15th day of October , 15th day of January and 15th day of April , every year.
27th August 2008	68,987,064.00	
04th February 2009	47,430,529.00	
11th February 2009	49,432,090.00	
24th February 2009	71,869,084.00	
20th May 2009	52,935,257.00	
31st March 2010	36,575,443.00	
27th February 2013	24,656,594.00	
1st March 2013	5,557,640.00	
21st March 2013	12,837,439.00	
	445,251,140.00	

Rate of Interest

As per the Agreement executed between the parties, KESCo was to pay interest at the rate as applicable on the date of each disbursement pertaining to the grading of the borrower at the rates applicable from time to time.

Further, notwithstanding anything herein above, the Corporation has the right to reset the rate of interest at its discretion. The revised rates to take effect from such date as may be specified by the Corporation in this behalf.

The rate of interest during the year 2014-15 is 13.00% to 13.25% as per the statement received from PFC.

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NOTE 5 : OTHER LONG TERM LIABILITIES

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
(i) Security deposit	1,058,126,958.00	975,725,788.00
(ii) Advance to Supplier	-	3,303,088.00
(i) Provision for leave encashment	463,475,288.00	545,281,029.00
Total	1,521,602,246.00	1,524,309,905.00

NOTE 6 : SHORT TERM BORROWINGS

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
(i) Loan from Noida (Un Secured & Interest Free)	156,400,000.00	156,400,000.00
	156,400,000.00	156,400,000.00
Total	156,400,000.00	156,400,000.00

Notes: The Loans of New Okhla Industries Dev. Authority are guaranteed by GoUP. The Loan was payable within one month after passing 2012-13 Budget.

NOTE 7 - TRADE PAYABLES

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
(a) For Power Purchase (UPPCL)	4,685,592,436.00	5,340,660,019.00
(b) For Transmission Charges (UPPTCL)	1,627,630,817.00	1,393,729,181.00
Total	6,313,223,253.00	6,734,389,200.00

NOTE 8 - OTHER CURRENT LIABILITIES

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
Interest accrued & due	895,177,337.00	849,424,772.00
Current Maturity of Long Term Borrowings	3,621,253,152.00	2,283,148,441.00
Liability for Capital Supplies/Works	117,745,130.00	171,709,359.00
Liability for O&M Supplies/Works	57,451,321.00	62,255,431.00
Staff Related Liabilities	375,449,760.00	373,350,759.00
Deposits & Retentions from Suppliers & Others	84,106,290.00	68,801,393.00
Electricity Duty & Other Levies payable to Govt.	4,575,456,924.00	4,032,188,515.00
Deposit for electrification Works	151,193,366.00	76,217,550.00
Sundry Liabilities	29,026,617.00	26,431,458.00
Payable to DISCOMS & Others	106,974,430.00	107,630,969.00
Due to UPPCL		
a) Liability of debtors on account of UPPCL	6,204,820,956.00	6,204,820,956.00
b) Liability to Loan towards UPPCL	751,272,249.00	352,930,508.00
c) Other current Liabilities towards UPPCL	3,604,745.00	1,427,385.00
Due to U.P. State Power Sector Employee Trust	106,573,650.00	129,937,045.00
Interest Accrued but not due on Borrowings	13,783,433.00	503,938,265.00
Total	17,093,889,360.00	15,244,212,806.00

Details of Current maturities of long-term debt (Refer Notes 4 - Long-term borrowings for details of security & repayment terms)

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
Secured Term loans		
(i) From UPPCL (Holding Company)	1,950,000,000.00	1,950,000,000.00
(ii) Loan against Power Purchase from UPPCL (Unsecured)	227,797,714.00	227,797,713.00
(iii) From PFC	105,350,733.00	105,350,728.00
Unsecured Term loans		
(i) Current maturities of Long-Term Borrowings through UPPCL		
a) Bank Loan	1,038,382,235.00	-
b) REC Loan	246,129,612.00	-
c) PFC Loan	53,592,858.00	-
Total	3,621,253,152.00	2,283,148,441.00

Note 9 Inter Unit Transfer

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
31A - IUT Material with in zone	-971,895.00	-971,895.00
AG 36 - Inter-Unit Accounts - Personnel	277,622.00	277,622.00
AG 37 - Inter-Unit Accounts-Other	68,084,241.00	68,084,241.00
Total	67,389,968.00	67,389,968.00
Unsecured considered Doubtful	68,361,863.00	68,361,863.00
	(971,895.00)	(971,895.00)

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Notes forming part of the financial statements for the year ended 31st March. 2015

NOTE 10 : TANGIBLE FIXED ASSETS

A	Tangible assets	Gross block			Accumulated depreciation				Net block	
		Balance as at 1 April, 2014	Additions during 2014-15	Balance as at 31st March, 2015	Accumulated depreciation	Depreciation expense for the year	Other Adjustments (Prior Period items)	Balance as at 31st March, 2015	Balance as at 31st March, 2015	Balance as at 31st March, 2
		₹	₹	₹	₹	₹	₹	₹	₹	₹
A	Line & Cable Network	3,962,085,392.00	104,919,355.00	4,067,004,747.00	2,029,673,560.00	101,813,708.00	381,436.00	2,131,868,704.00	1,935,136,043.00	1,932,
B	Plant and Macinery	1,726,813,466.00	71,724,819.00	1,798,538,285.00	680,733,855.00	71,733,843.00	187,211.00	752,654,909.00	1,045,883,376.00	1,046,
C	Building	293,957,032.00	20,529,444.00	314,486,476.00	65,384,497.00	13,055,181.00	-	78,439,678.00	236,046,798.00	228,
D	Land on Lease	1.00		1.00	-	-		-	1.00	
E	Office Equipment	129,615,776.00	3,758,440.00	133,374,216.00	81,359,962.00	10,698,419.00	-	92,058,381.00	41,315,835.00	48,
F	Furniture & fixture	13,245,086.00	179,435.00	13,424,521.00	8,925,971.00	407,829.00		9,333,800.00	4,090,721.00	4,
G	Vehicles	34,530,864.00	1,932,018.00	36,462,882.00	31,009,986.00	327,292.00		31,337,278.00	5,125,604.00	3,
	Total	6,160,247,617.00	203,043,511.00	6,363,291,128.00	2,897,087,831.00	198,036,272.00	568,647.00	3,095,692,750.00	3,267,598,378.00	3,263
	Less- Amortisation of Consumers Contribution on Fixed Assets					67,235,559.00				
	Depreciation charged to operation					130,800,713.00				
	Previous year	5,832,713,825.00	327,533,792.00	6,160,247,617.00	2,617,297,219.00	279,790,611.00	0.00	2,897,087,830.00	3,263,159,787.00	

NOTE 11 : CAPITAL WORKS IN PROGRESS

Particulars	Balance as on 01st April 2014	Additions during the year	Deduction/Adjustments	Capitalized during the year	Balance as on 31st March 2015
	₹	₹		₹	₹
Capital Work in Progress	245514172.00	230,047,856.00	-	203,043,511.00	272,518,517.00
Total	245514172.00	230047856.00	0.00	203043511.00	272518517.00
Previous Year	440862788.00	132185176.00	0.00	327533792.00	245514172.00

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 12 - LONG TERM LOANS & ADVANCES

Particulars			As at 31st March, 2015	As at 31st March, 2014
			₹	₹
(i) Capital Advances				
Unsecured considered good				
(a) Advance to fabricators			360,461,050.00	351,533,818.00
Unsecured Considered doubtful	2014-15	2013-14		
(b) Advance to Supplier & Contractor	475,466.00	475,466.00		
Less : Provision for doubtful Loans & Advances	475,466.00	475,466.00	0.00	0.00
		Total	360,461,050.00	351,533,818.00
Provision for doubtful loans and advances have been made @ of 100% for loans & advances pending for more than two years.				

NOTE 13 - INVENTORIES

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
Stores & Spares		
Stock of Materials - Capital Works (as valued at cost & certified by the management)	283,251,826.00	286,410,704.00
Stock of Materials - O&M (as valued at cost & certified by the management)	49,642,448.00	16,445,220.00
Total	332,894,274.00	302,855,924.00

NOTE 14 - TRADE RECEIVABLES

Particulars			As at 31st March, 2015	As at 31st March, 2014
			₹	₹
Unsecured	2014-15	2013-14		
Trade receivables outstanding for a period exceeding six months				-
(a) Considered Good	25,102,691,529.00	23,379,598,768.00		
(b) Considered doubtful	6207232055.00	6017112504.00		
Sub Total	31309923584.00	29396711272.00		
Less: Provision for doubtful trade receivables	6,207,232,055.00	6,017,112,504.00		0.00
Sub Total	25,102,691,529.00	23,379,598,768.00		
Add: Other Trade Receivables	4,854,081,115.00	4,464,343,893.00		
Sub Total	29,956,772,644.00	27,843,942,661.00		
Less: Unrealised Late Payment Surcharge	12,104,646,407.00	11,069,160,926.00	17,852,126,237.00	16,774,781,735.00
			17,852,126,237.00	16,774,781,735.00
		Total	17,852,126,237.00	16,774,781,735.00

NOTE 15 - CASH & CASH EQUIVALENTS

Particulars	As at 31st March, 2015	As at 31st March, 2014
	₹	₹
Cash & Cash Equivalents		
(i) Cash in hand	4,798,817.00	3,693,762.00
(ii) Cheques, draft on hand	631,201,964.00	184,205,198.00
(iii) Balance with banks		
In current accounts	217,654,016.00	999,108,046.00
(iv) Temporary Imprest With Staff	36,100.00	67,170.00
Other bank balances		
In deposit account	712,426,428.00	14,989,434.00
Total	1,566,117,325.00	1,202,063,610.00
All Fixed Deposits as shown worth ₹ 712426428.00 have been matured during the F.Y. 2015-16		

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 16 - SHORT TERM LOANS & ADVANCES

Particulars			As at 31st March, 2015	As at 31st March, 2014
			₹	₹
(i) Loans and advances to employees				
	2014-15	2013-14		
(a) Unsecured Considered Good	186472	1,924,628.00		
(b) Unsecured considered Doubtful	4137493.00	3602763.00		
Sub Total	4323965.00	5527391.00		
Less: Provision for doubtful loans and advances	4,137,493.00	3,602,763.00	186,472.00	1,924,628.00
			186,472.00	1,924,628.00
(ii) Advances Recoverable in Cash or in Kind for value to be received				-
	2014-15	2013-14		
(a) Unsecured Considered Good	15476529.00	16352276.00		
(b) Unsecured considered Doubtful	19477346.00	17238602.00		
Sub Total	34953875.00	33590878.00		
Less: Provision for doubtful loans and advances	19,477,346.00	17,238,602.00	15,476,529.00	16,352,276.00
(c) Advance tax and tax deducted at source				
1) Advance Income Tax			88,160.00	88,160.00
2) Income Tax Deducted at source			14,273,228.00	10,783,784.00
3) Income Tax Deducted at Source-Other Receipts			4,870,684.00	4,578,944.00
SUB TOTAL			19,232,072.00	15,450,888.00
(iii) Loans & Advances to Distribution Companies				
UPPTCL			104,391,807.00	99,815,947.00
UPRVUNL			23,200.00	23,200.00
DVVNL			74,966,826.00	89,972,813.00
SUB TOTAL			179,381,833.00	189,811,960.00
(a) Land			74,386,785.00	74,386,785.00
(b) Misc. Recovery	2014-15	2013-14		
(a) Unsecured Considered Good	5,900,051.00	1,044,727.00		
(b) Unsecured considered Doubtful	29,915,172.00	29,487,536.00		
Sub Total	35,815,223.00	30,532,263.00		
Less: Provision for doubtful loans and advances	29915172.00	29,487,536.00	5,900,051.00	1,044,727.00
		Total	294,563,742.00	298,971,264.00

Provision for doubtful loans and advances have been made @ of 100% for loans & advances pending for more than two years.

NOTE 17 - Other Current Assets

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
(i) Prepaid expenses	19495.00	20255.00
(ii) Balances with government authorities		
(a) Receivable from Govt. Against Subsdiy	310,492,160.00	455,573,295.00
(b) Claims Receivable from Govt. on A/c of Bunkar Arrears	63,772,783.00	-
Total	374,264,943.00	455,573,295.00
G. Total	374,284,438.00	455,593,550.00

Provision for doubtful loans and advances have been made @ of 100% for loans & advances pending for more than two years.

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 18 - REVENUE FROM OPERATIONS

Particulars	For the year ended 31st March, 2015 ₹	For the year ended 31st March, 2014 ₹
(a) Sale of Power (Refer Note (i) below)	16,789,410,756.00	15,341,188,251.00
(b) Other operating revenues (Refer Note (ii) below)	136,657,675.00	156,100,276.00
Total	16,926,068,431.00	15,497,288,527.00

Particulars	For the year ended 31st March, 2015 ₹	For the year ended 31st March, 2014 ₹
Note: (i) Sale of Power comprises :		
Domestic	5,912,480,524.00	4,991,995,602.00
Commercial	2,157,211,060.00	2,182,798,990.00
Industrial	8,973,481,225.00	8,391,231,560.00
Public lighting	397,422,462.00	337,454,160.00
Public water works	472,961,796.00	420,189,752.00
Gross Sale of Power	17,913,557,067.00	16,323,670,064.00
Less : Electricity duty	1,124,146,311.00	982,481,813.00
Net Sale of Power	16,789,410,756.00	15,341,188,251.00
Less: Internaly Energy Consumed	72,379,829.00	131,216,400.00
Total	16,717,030,927.00	15,209,971,851.00
Note:(ii) Other operating revenues:		
(a) Delayed Payment charges from consumers	103,143,860.00	111,235,475.00
(b) Other recoveries from consumers	8,760,235.00	979,220.00
(c) Sale of Scrap	16,830,949.00	33,546,550.00
(d) Penalty from Contractors	7,922,631.00	10,339,031.00
Other operating revenues	136,657,675.00	156,100,276.00

(Internaly energy consumed is valued as per tariff order of UPERC for the year 2014-15)

NOTE 19 - OTHER INCOME

Particulars	For the year ended 31st March, 2015 ₹	For the year ended 31st March, 2014 ₹
(i) Interest income (Refer Note (i) below)	41,572,512.00	21,017,804.00
(ii) Other non-operating income (Refer Note (ii) below)	1,223,414,425.00	460,226,716.00
Total	1,264,986,937.00	481,244,520.00

Note: (i) Interest income comprises:		
Interest from banks on Fixed Deposit	41,572,512.00	21,017,804.00
Total - Interest income	41,572,512.00	21,017,804.00
Note:(ii) Other non-operating income comprises:		
Rental from Staff	1,170,521.00	1,275,054.00
Sales of Tender Forms	1,139,824.00	982,123.00
Other Misc. Income	3,104,080.00	2,396,244.00
Subsidy From U.P.Govt for operation loss	1,218,000,000.00	455,573,295.00
Prior period income (net of Expenses) (Refer Note Below)	0.00	0.00
Total - Other non-operating Income	1,223,414,425.00	460,226,716.00

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 20 : PURCHASE OF POWER

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
Purchase Cost	15,742,371,484.00	16,635,931,725.00
Transmission Cost	533,922,017.00	745,496,616.00
Total	16,276,293,501.00	17,381,428,341.00

NOTE 21 : EMPLOYEE BENEFIT EXPENSES

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
Salaries & Wages	835,000,730.00	877,055,635.00
Contributions to provident and other funds	142,764,898.00	145,615,355.00
Staff welfare expenses	14,923,970.00	11,560,097.00
Less : Expenses Capitalised	(14,116,365.00)	(10,679,760.00)
AG 75.190A Expenditure on Trust	1,478,241.00	1,566,610.00
Total	980,051,474.00	1,025,117,937.00

NOTE 22 : FINANCE COST

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
(i) Interest expense on Borrowings	2,649,910,888.00	2,943,439,484.00
Less: Rebate for Timely Payment of Interest	1,394,706.00	2,215,416.00
Sub Total	**2,648,516,182.00**	**2,941,224,068.00**
(ii) Other borrowing cost	30,133.00	7,237.00
(iii) Interest Expenses on Security deposits from consumers	91,670,452.00	80,986,486.00
Total	2,740,216,767.00	3,022,217,791.00

NOTE 23 : DEPRECIATION AND AMORTIZATION EXPENSES

Particulars	Depreciation for the year	Depreciation for the Preevious year
A. Lines & Cable Network	101813708.00	184376502.00
B. Plant & Machinery	71733843.00	79948872.00
C. Buildings	13,055,191.00	4,767,399.00
D. Office Equipment	10,698,419.00	10,035,124.00
E. Furniture & fixture	407,829.00	344,491.00
F. Vehicles	327,292.00	318,223.00
Grand Total	198,036,272.00	279,790,611.00
Less: Amortisation of Consumer Contribution on Fixed Assets	67,235,559.00	102,160,399.00
Depreciation charged to operation	130,800,713.00	177,630,212.00

The Life of Fixed Assets have been taken as per Annexure-C of U.P.E.R.C. (Multi Year Distribution Tariff) Regulations, 2014

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 24 : ADMINISTRATIVE, GENERAL & OTHER EXPENSES

Particulars				For the year ended 31st March, 2015	For the year ended 31st March, 2014
				₹	₹
Interest Expense on Electricity duty				349,859,731.00	308,946,039.00
Lease Rent on leasehold land to UPPCL (Holding Company)				12.00	12.00
Rates & Taxes				38,743,521.00	15,548,450.00
Insurance				26,173.00	517,563.00
Communication				4,059,214.00	3,830,308.00
Travelling & Conveyance				818,863.00	812,712.00
Legal & Professional charges				19,858,355.00	21,458,064.00
On line & Spot Billing charges				40,774,441.00	44,259,944.00
Printing & Stationery				3,987,803.00	4,658,396.00
Advertisement Expenses				5,905,525.00	4,673,199.00
Fee & Subscription				7,624,790.00	7,255,191.00
Rebate to consumer				4,360,743.00	-
Security Charges				86,272,155.00	70,477,010.00
Auditors Remunaration & Expenses		2015	2014	228,000.00	224,720.00
	Audit Fees	200,000.00	200,000.00		
	Service Tax	28,000.00	24,720.00		
Expenditure on Trust				99,651.00	75,166.00
Miscellaneous expenses				10,899,502.00	9,854,222.00
Less : Expenses capitalised				(270,359.00)	(170,903.00)
			Total	573,248,120.00	492,420,093.00

Note-25: REPAIRS AND MAINTENANCE EXPENSES

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
Repairs & Maintenance - Building	54,609,952.00	71,346,611.00
Repairs & Maintenance - Machinery	162,884,381.00	221,607,062.00
Repairs & Maintenance - Line, Cables, Networks etc.	240,732,925.00	167,554,236.00
Repairs & Maintenance - Others	1,777,490.00	1,118,199.00
Total	460,004,748.00	461,626,108.00

Note-26: BAD DEBTS & PROVISIONS

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
Provision for Bad & doubtful trade Receivables	190,119,551.00	112,061,325.00
Provision for doubtful loans & advances	3,201,110.00	1,723,754.00
Total	193,320,661.00	113,785,079.00

Note :- The provision for bad & doubtful debts from consumers are provided for @ 15% on the incremental value of the receivables.

NOTE: 27 NET PRIOR PERIOD INCOME/EXPENDITURE

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
	₹	₹
I INCOME		
a) Recpt. From Consumers Relating to Prior Period	-7,979,666.00	-22,178,764.00
b) Other Income Realated to Previous Period	-455,715,993.00	-3,239,335.00
c) Inerest Income for Prior Period	362,142.00	-
Total	-463,333,517.00	-25,418,099.00
II EXPENDITURE		
a) Employees Cost Related to Pr. Year	284,112.00	-1,063,718.00
b) Interest & Other Financial charges of Previous year	-	6,097,944.00
c) Operating Expenses of Previous Year	-441,624,909.00	2,202,618.00
d) Other Employees Costs Relating to Pr. Year	-19,933,897.00	8,953,462.00
e) Arrears of Previous Year	7,826,072.00	2,659,578.00
Total	-453,448,622.00	18,849,884.00
Net Prior Period Income /(Expenditure)	-9,884,895.00	-44,267,983.00

Notes:

DISCLOSURES UNDER ACCOUNTING STANDARDS

NOTE 29 : CONTINGENT LIABILITES AND COMMITMENTS

CONTINGENT LIABILITIES

Contingent liabilities not provided for in respect of:

(₹ In Lakhs)

Name of Company	Estimated amount of contracts remaining to be executed on capital account and not provided for	Claim by Employees (under litigation)	Others (Interest Payable to UP Govt.)	Total
Kesco, Kanpur (2014-15)	2,046.59	904.05	2,447.35	5,397.99
Kesco, Kanpur (2013-14)	551.77	888.87	2,027.49	3,468.13

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 30 : BACKGROUND

(i) The Company was incorporated under the Companies Act, 1956 on 21.07.1999 and took over the Assets and Liabilities of KESA Zone of UPPCL w.e.f 15.01.2000 (hereinafter referred to as the *"appointed date"*) in terms of the U P Government notification no. 186 /XXIV-1-2000 dated 15.01.2000. Accordingly, the accounts of the company also comply with the various provisions of the Transfer of KESA Zone Electricity Distribution Scheme 2000 (hereinafter referred to as the *"transfer scheme"*).

(ii) The Fixed Assets (of the erstwhile KESA Zone) were taken over by the Company (i.e. KESCo) from UPPCL on 15.01.2000 as per the transfer scheme at a gross value of ₹ 260.00 crores (with nil accumulated depreciation). The details of the individual block of assets have been considered at the values as approved by the Board of Directors.

NOTE 31 : SEGMENT REPORTING (AS 17)

Since the Company is engaged in retail distribution of electricity in the city of Kanpur and its adjoining areas, there are no other reportable segments in terms of Accounting Standard (AS)-17: Segment Reporting as notified under the Companies (Accounting Standards) Rules, 2006 pursuant to Section 133.

NOTE 32 : RELATED PARTY TRANSACTIONS (AS -18)

Details of related parties:

Description of relationship	Names of related parties
Key Management Personnel (KMP) - M.D.	Sri S.N. Bajpai w.e.f. 01.04.2014 to 14.07.2014
M.D.	Smt. Roshan Jackob w.e.f. 15.07.2014 to 09.12.2014.
M.D.	Smt. Selva Kumari J. w.e.f. 10.12.2014 to end of financial year.
Director	Sri S.N. Bajpai, Director (T) w.e.f. 01.04.2014 to 14.07.2014

Sri S.N. Bajpai, M.D., Kesco did not draw salary as M.D. as he had additional charge of M.D., Kesco being Director (T) Kesco. Smt. Roshan Jackob, M.D., Kesco did not draw salary as M.D. Kesco because she had additoinal charge of M.D., Kesco and drawn salary from D.M. office as D.M., Kanpur Nagar. Smt. Selva Kumari J., M.D., Kesco drawn salary as M.D. from Kesco w.e.f. 10.12.2014 to 31.03.2015 amounting Rs. 205089.00 Sri S.N. Bajpai Director (T) Kesco drawn salary from Kesco amounting to Rs. 356994.00

Details of related party transactions during the year ended 31st March, 2014 :

Particulars	KMP
Transactions during the year	
Directors Salary: Sri SN Bajpai Director (T) Kesco for the year 2013-14	9.37 lac
Total	9.37 lac

(i) In terms of the exemption as per para 8 of Accounting Standards (AS)-18 Related Party Disclosures as notified under the Companies (Accounting Standards) Rules, 2006 pursuant to Section 133 of Companies Act, 2013, no disclosure has been made in the financial statements as regards related party relationships with other state-controlled enterprises and transactions with such enterprises.

NOTE 33 : LEASEHOLD LAND

(i) The Company has not ascertained the value of the leasehold land received from UPPCL as per the transfer scheme at a lease of ₹ 1.00 per month and holds the same at a nominal value of ₹ 1.00 in the books of account.

(ii) The lease of Plot no.'s 4 and 54 of erstwhile KESA expired on 4.12.1994 and 31.07.1994 respectively and was not renewed by the Government of U.P. vide G.O. dated 03-10-1994.The Company had accordingly deposited a sum of ₹ 7,43,86,785.00 with the State Government towards conversion of the plots into freehold in earlier years

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 34 : RECONCILIATION OF INTER UNIT & OTHER BALANCES

The following balances are subject to confirmation and/or reconciliation as at the year end. Impact, if any, on the assets/liabilities and/or income/expenditure consequent to such reconciliation is presently not ascertainable.

(a) Inter units balances

(b) Balances of Trade Receivables, Advances to Suppliers/ Contractors, balance with UP State Power Sector Employees Trust, Loans and Advances, Security Deposits, Various balances with State Government.

NOTE 35 : INTEREST ON SECURITY DEPOSIT FROM CONSUMERS

Interest on Security deposit from consumers has been provided at the bank rate notified by the RBI as prevalent on 1st April of applicable financial year 2014-15 i.e. : 9.00% p.a and as per para 4.20 (i) of the Electricity Supply Code, 2005, (third amendment). The provision has been made on the monthly opening cumulative ledger balances (net) instead of providing for the same in respect of individual consumer balances. Under/ excess provision, if any, and the impact of the same on the reported loss of the Company for the year on account of the aforesaid estimation is not ascertainable.

NOTE 36 :

The Govt. of U.P. had vide its order no. 3188 dated 24.10.2003 and 1077 dated 17.04.2008 decided that the electricity duty and interest payable for the period from 15.01.2000 to 31.03.2003 and 01.04.2003 to 31.03.2008 respectively would be adjusted against the balance subsidy payable to UPPCL by the State Government. Accordingly, the amount of electricity duty and interest thereon payable due to pending adjustment by the state government has been shown under the Note 8 : under heading Electricity duty & other levies payable to Govt.

NOTE 37 :POWER PURCHASE FROM UPPCL

(i) Power Purchase from UPPCL has been accounted for at the rates approved by UPPCL for the financial year 2014-15 at the rate ₹ 4.497841387 per unit. Further transmission charges w.e.f. April-14 to Oct-14 @ ₹ 0.135 per unit and w.e.f. Nov-14 to Mar-15 @ ₹ 0.1937 per unit is also payable for the use of intra state transmission network as approved by UPERC for the year 2014-15.

(ii) The joint meter reading for purchase of power from UPPCL is taken at tweleve sub stations (supply points from UPPCL) on the first day of each month at 08:00 AM by the Executive Engineer (Transmission) UPPCL and Executive Engineer (Test) KESCo. In the absence of the reading being taken at 12 midnight on the 31st of March 2015, the impact of such a method on the reported loss for the year on account of the amount of power purchase being incorrect, in the opinion of the management, would not be material.

NOTE 38 :

Pending final adjustment/reconciliation of the differences between the balances of KESCo and KESA as on the date of transfer, the net credit balance as on date of ₹ 14.46 crores (Previous year ₹ 14.46 crores) has been disclosed under reserve & surplus **(Note 2)** . Impact, if any, of the same on the assets/liabilities and/or income/expenditure subsequent to such reconciliation is presently not ascertainable

NOTE 39 - EARNING PER SHARE (AS-20)

Particulars	For the year ended ₹	For the year ended ₹
Net profit for the year attributable to the equity shareholders	(3,172,765,511.00)	(6,739,960,497.00)
Weighted average number of Equity Shares	163,147,400	163,147,400
Par value per share	10.00	10.00
Earnings per share - Basic	(19.45)	(41.31)

NOTE 40 : IMPAIRMENT OF ASSETS (AS 28)

In the opinion of management, there is no specific indication of impairment of any assets as on the Balance Sheet date as envisaged by Accounting Standard-28: Impairment of Assets as notified under the Companies (Accounting Standard) Rules, 2006 pursuant to Section 133 of the Companies Act, 2013. Further, the assets of the company have been accounted for at their historical cost and most of the assets are very old and their carrying amount does not exceed the recoverable amount.

NOTE 41 : MICRO AND SMALL ENTERPRISES

The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as micro, small or medium enterprises. Consequently, the information with regard to the amount unpaid as at the year end to such enterprises together with the interest paid/payable to such parties is not being disclosed.

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Notes forming part of the financial statements for the year ended 31st March, 2015

NOTE 42 :

Income Tax Assessments have been completed upto Financial Year 2012-13 .No Provision of income tax has been made as the company is incurring continous losses.Deffered Tax Assets/liability have not been recognised in absence of reasonable certainity that sufficient future taxable income will be available to set off the unabosrbed losses and unsorbed depreciation.

NOTE 43 : Quantitative details for Electricity units purchased and sold: (In MU)

Particulars	2014-15	2013-14
Total Power Purchased	3,500.588	3,554.392
Total Power Sold	2582.040	2458.092
Distribution Loss	918.548	1,096.300
% Distribution loss	26.24%	30.84%

In the opinion of the management, the identified reasons of line losses during the financial year 2014-15 (2013-14) are :

a) Unauthorized use of electricity and illegal connections.
b) Overloading of Transformers.
c) Supply of electricity being maintained through 11/6.6 KV feeders which are very old and require upgradation.

Corrective measures are being taken to decrease the line losses.

Note 44 : Earning Per Share

Basic earnings per share is calculated by divining the net profit/loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.
For the purpose of calculating diluted earnings per share, the net profit/(loss) for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

NOTE 45 :

Previous year figures have been regrouped or reclassified and restated to the extent possible wherever considered necessary.The accompanying Notes are an integral part of the Financial Statements.

In terms of our report attached
For P.L. Tandon & Co.
Chartered Accountants
FRN:000186C

(P.P. Singh)
Partner
M No: 072754

M/s P.L. TANDON & CO
FRN 000186-C
KANPUR
Chartered Accountants

Dated: 27.12.2016
Place: Kanpur

For and on behalf of the Board of Dircertors

(Pankaj Saxena)
Dy. G M. (Acctts.)

(Abha Sethi Tondon)
Company Secretary

(Rakesh Kumar)
Director (Fin.)

(Selva Kumari J.)
Managing Director

Notes forming part of the financial statements as per balance sheet ...
for the year ended 31st March 2015

(28A) 1 : CORPORATE INFORMATION

Kanpur Electricity Supply Company (KESCo) is the wholly owned subsidiary of Uttar Pradesh Power Corporation Limited (UPPCL) and is engaged in the distribution of electricity to consumers of Kanpur City.

Kanpur Electricity Supply Company (KESCo), a company registered under the erstwhile Companies Act, 1956 was incorporated through the Transfer Scheme dated 15th January, 2000, wherein the assets, liabilities and personnel of Kanpur Electricity Supply Administration (KESA) under erstwhile Uttar Pradesh State Electricity Board (UPSEB) were transferred to KESCo. Subsequently the UP Electricity Regulatory Commission, in exercise of the powers conferred on it under Section 15 of the Uttar Pradesh Electricity Reform Act, 1999 (Uttar Pradesh Act No.24 of 1999), granted KESCO on 4th October 2000 a distribution license for a period of 30 years for carrying out the business of Distribution and Retail Supply of electrical energy within its license area.

(28A) 2 : SIGNIFICANT ACCOUNTING POLICIES

i. General

(a) The financial statements are prepared in accordance with the applicable provisions of the Companies Act, 2013. However where there is a deviation from the provisions of the Companies Act, 2013 in preparation of these accounts, the corresponding provisions of Electricity (Supply) Annual Accounts Rules 1985 have been adopted.

(b) The accounts are prepared under historical cost convention, on accrual basis unless stated otherwise and on accounting assumption of going concern.

(c) Subsidy, Grant, Insurance and Other Claims, Refund of Custom Duty Interest on Income Tax & Trade Tax and Interest on loans to staff is accounted for on receipt basis after the recovery of principal in full.

ii. Fixed Assets

a. All Fixed Assets (except those taken over from erstwhile KESA Zone) are shown at historical cost less accumulated depreciation.

b. All costs relating to the acquisition or construction and installation of Fixed Assets including departmental overhead costs till the date of commissioning are capitalized.

c. 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 adjustments in the year of final settlement.

d. Employee cost and other General and Administration expenses relating to Capital Works are capitalized alongwith the corresponding Fixed Asset on actual basis so far as it relates to the Construction Division. Further, expenses relating to other divisions are also capitalized on proportionate basis. With

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respect to APDRP schemes, additional 1% of cost is capitalized to cover the supervision cost of such schemes by the Distribution divisions.

e. Borrowing cost during construction stage of capital assets are apportioned on the average balance of capital work in progress for the year. The determination of amount of borrowing cost attributable to capital works are capitalized as per the computation method given in the Electricity (Supply) Annual Accounts Rules 1985.

f. Consumer Contribution, Grants and Subsidies received towards cost of capital assets are treated initially as capital reserve and subsequently amortized in the proportion in which depreciation on related asset is charged.

iii. **Depreciation**

(a) Depreciation is charged on Straight Line Method as per Schedule II of the Companies Act 2013.

(b) Depreciation on additions to / deductions from Fixed Assets during the year is charged on Pro rata basis.

(c) The Fixed Assets are depreciated up to 95% of original cost except in case of temporary erections/constructions where 100% depreciation is charged

iv. **Stores and Spares**

(a) Inventories comprising of Stores and Spares are valued at cost using 'FIFO' method.

(b) As per practice consistently followed by the Company, Scrap is accounted for as and when sold.

(c) Any shortage /excess of material found during the year end are shown as "material short/excess pending investigation" till the finalization of investigation.

v. **Retirement and other employee benefits**

a. The liability for payment of Pension and Gratuity in respect of employees of the erstwhile UPSEB has been determined on the basis of actuarial valuation and has been accounted for on accrual basis.

b. Employees appointed on or after 15.01.2000 are covered under CPF Scheme and entitled to gratuity under The Payment of Gratuity Act, 1972, whereas the other employees are covered under the UP State Power Sector Employees Trust, Lucknow. Provision for gratuity for employees appointed on or after 15.01.2000, is made as per provisions of The Payment of Gratuity Act, 1972.

c. Leave encashment has been accounted for on accrual basis.

d. Medical benefits and LTC are accounted for on the basis of claims received and approved during the year.

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vi. **Revenue/ Expenditure recognition**

(a) Revenue from Sale of Energy is accounted for on the basis of bills raised on consumers.

(b) Late payment surcharge recoverable from consumer on energy bills is accounted for on cash basis due to uncertainty of realization.

(c) Sale of energy is accounted for based on tariff rates approved by U.P. Electricity Regulatory Commission

(d) All prior period income and expenditure are shown in current period as a distinct item.

(e) In case of detection of theft of energy, the consumer is billed on laid down norms irrespective of actual realization from the consumer.

(f) The sale of electricity does not include electricity duty payable to the State Government as the same is not the income of the company.

(g) Assessment of own energy consumption is done on the basis of connected load/hours of supply/meters.

(h) Penal interest, overdue interest, commitment charges and incentive /rebates on loans are accounted for on cash after final assessment

vii. **Purchase of Power**

1. The bulk purchase of power is made available by the holding company (U.P. Power Corporation Limited) and the cost of Power Purchase is accounted for on accrual basis at the rates approved by UPPCL.
2. Transmission charges, for the use of intra state transmission network of U.P. Power Transmission Corporation Limited, is accounted for on accrual basis at the rates approved by UPERC.

viii. **Provisions, Contingent Liabilities and Contingent assets**

(a) Accounting of the Provisions is made on the basis of estimated expenditures to the extent possible as required to settle the present obligations.

(b) Contingent liabilities are disclosed in the Notes on Accounts.

(c) The Contingent assets of unrealisable income are not recognised

ix. **Deferred Tax Liability**

Deferred tax liability of Income-tax (reflecting the tax effects of timing difference between accounting income and taxable income for the period) is provided on the profitability of the Company and no provision is made in case of current loss and past accumulated losses.

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