



EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

Regd. Office : 30-14-9, Sai Sakthi Bhavan, Near Saraswati Park, Daba Gardens,
Visakhapatnam - 530 020

NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the Eastern Power Distribution Company of Andhra Pradesh Limited will be held on Monday, the 20th day of December, 2004 at 11.30 A.M at the Registered Office of the Company at 30-14-9, Sai Sakthi Bhavan, Near Saraswati Park, Daba Gardens, Visakhapatnam – 530 020 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Annual Accounts of the Company for the Financial Year 2003-2004, together with the Directors' Report, the Auditors Report and the comments of the Comptroller and Auditor General of India.

Draft Resolution:

"RESOLVED THAT the Audited Balance Sheet of the Company as on 31st March, 2004 and the Revenue Account for the year ended on that date; together with the Auditors Report and the comments of the Comptroller and Auditor General of India thereon; and the Directors' Report thereto be and are hereby adopted."

2. To fix the remuneration of Statutory Auditors appointed by the Comptroller and Auditor General of India for the Financial Year 2003-2004.

Draft Resolution:

"RESOLVED THAT, pursuant to the provisions of Section 224(8)(aa) and other applicable provision, if any, of the Companies act, 1956, the Board of Directors of the Company be and are hereby authorised to fix the remuneration of the Statutory Auditors and to provide for reimbursement of their actual out-of-pocket expenses for the Financial Year 2003-2004."

Special Business:

3. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions of the Companies Act, 1956, read with Article 12 of the Articles of Association, the Authorised Share Capital of the Company be increased from Rs.76,00,00,000/- (Rupees Seventy Six Crores only) to Rs.122,00,00,000 (Rupees One Hundred and Twenty Two Crores only) by creation of 4,60,00,000 Equity Shares of Rs.10/- each ranking pari passu with the existing Equity Shares of the Company."

4. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions of the Companies Act, 1956, the following Clause be substituted for the existing Clause V of the Memorandum of Association of the Company:

'V. The Authorised Share Capital of the Company is Rs.122 Crores (Rupees One Hundred and Twenty Two Crores) divided into 12,20,00,000 Equity Shares of Rs.10/- (Rupees Ten only) each, with the rights and conditions attached thereto as are provided by the Regulations of the Company for the time being.

The Company has power, from time to time, to increase or decrease its Capital and to divide the Shares in the original or increased Capital for the time, into several classes and to attach thereto such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions as may be permitted by Law.' "



5. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the following Article be substituted for the existing Article 4 of the Articles of Association of the Company:

- ‘4. The Authorised Share Capital of the Company is Rs.122,00,00,000/- (Rupees One Hundred and Twenty Two Crores) divided into 12,20,00,000 Equity Shares of Rs.10/- (Rupees Ten only) each.’”
6. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956, read with Article 13 of the Articles of Association of the Company, 4,55,61,500 Equity Shares of Rs.10/- each be issued at par and allotted to the Government of Andhra Pradesh, in accordance with G.O.Ms.No.53 dated 31.03.2004, against grant received under the Accelerated Power Development and Reforms Programme (APDRP).”

“RESOLVED FURTHER THAT the shares issued and allotted shall rank pari passu in all respects with the existing fully paid equity shares of the Company.”

7. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the following Article be substituted for the existing Article 30(d) of the Articles of Association of the Company:

- ‘(d). Subject to the provisions of the Act, so long as fifty one percent or above of the issued share capital of the company is beneficially owned by Transmission Corporation of Andhra Pradesh Limited (APTRANSCO), APTRANSCO shall have the right to nominate and appoint all the Directors and to fill any vacancy which may arise as a result of any Director ceasing to hold office for any reason whatsoever and APTRANSCO shall have the right to nominate and appoint one or more of the Directors to the office of the Chairman and/or Managing Director for such term and on such remuneration and/or allowances as it may think fit.’”

By Order of the Board

**For EASTERN POWER DISTRIBUTION
COMPANY OF A.P. LIMITED**

COMPANY SECRETARY

Place : Visakhapatnam

Date : 26.03.2004

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote and such proxy need not be a member of the Company.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed to the notice.
3. The comments of the Comptroller and Auditor General of India (CAG) on the Annual Accounts F.Y.2003-2004 shall be placed before the shareholders at the AGM.

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956.

Item Nos.3,4 and 5:

The Government of Andhra Pradesh vide G.O.Ms.No.53 dated 31.03.204 has sanctioned an amount of Rs.45.5615 Crores as Grant to APEPDCL in the form of Equity Capital, under APDRP for State Annual Plan 2003-2004. The Authorised Share Capital of the Company at present is Rs.76 Crores, out of which Rs.75.66 Crores is held by APTRANSCO. APTRANSCO vide Lr. No. FA&CCA(R&A)/SAO(B)/AAO/D.No.190/ 2004, Dt.22.09.2004 directed that the equity shall be treated as direct infusion of funds by the Govt. of A.P. in the Company.

In order to make provision for the additional equity of Rs.45.5615 Crores, the Authorised Share Capital of the Company should be increased to Rs.122 Crores, by creation of 4,60,00,000 further Equity Shares of Rs.10/- each. Approval of the Shareholders in General Meeting is necessary for increasing the Authorised Share Capital (Item No.3) and for making suitable changes in this connection, in clause V of the Memorandum of Association (Item No.4) and Article 4 of the Articles of Association (Item No.5) of the Company.

Accordingly, the Board recommends the resolutions in Item Nos.3, 4 and 5 for approval. None of the Directors is in any way concerned or interested in the said resolutions.

Item No.6:

Pursuant to the grant of Rs.45.5615 Crores by the Government of Andhra Pradesh under APDRP, by way of equity infusion, it is necessary to issue and allot 4,55,61,500 further Equity Shares of Rs.10/- each at par, aggregating to Rs.45,56,15,000/- in the name of the Government of Andhra Pradesh. Since it is an issue and allotment of shares to persons other than the existing shareholders, it shall be treated as preferential allotment, for which approval of the shareholders in General Meeting is required. The allotment shall be completed within a period of 2 months from the date of General Meeting.

The shareholding pattern before and after the issue shall be as follows:

| (Rs. Crores) | | | | | | |
|---|--------------|------|-------|-------------|--------|--------|
| PARTICULARS AUTHORISED SHARE CAPITAL | BEFORE ISSUE | | | AFTER ISSUE | | |
| | 76.00 | | | 122.00 | | |
| SHAREHOLDER | APTRANSCO | GOAP | TOTAL | APTRANSCO | GOAP | TOTAL |
| ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL | 75.66 | NIL | 75.66 | 75.66 | 45.56 | 121.22 |
| PERCENTAGE OF TOTAL EQUITY CAPITAL | 100% | NIL | 100% | 62.42% | 37.58% | 100% |

However, No change in control is intended or expected, since APTRANSCO continues to hold more than 51% of the paid up share capital.

Accordingly, the Board recommends the resolution in Item No.6 for approval. None of the Directors is in any way concerned or interested in the said resolution.

Item No.7:

As per the existing Article 30(d) of the Articles of Association of the Company, APTRANSCO shall have the power to appoint Directors/Managing Director/Chairman of APEPDCL as long as **"the entire Share Capital"** of APEPDCL is held by APTRANSCO. Pursuant to the allotment of 4,55,61,500 Equity Shares of Rs.10/- each at par to the Government of Andhra Pradesh, APTRANSCO will not hold the entire Share Capital of APEPDCL.



In view of the above, APTRANSCO has directed modification of Article 30(d) by substitution of the words "**Fifty One Percent or above**" in place of "**the entire**". Consequently, APTRANSCO will continue to exercise the powers hitherto exercised even after issue of equity shares to GoAP.

Approval of the Shareholders in General Meeting is required for amendment of Articles of Association. Accordingly, the Board recommends the resolution in Item No.6 for approval. None of the Directors is in any way concerned or interested in the said resolution.

By Order of the Board

**For EASTERN POWER DISTRIBUTION
COMPANY OF A.P. LIMITED**

COMPANY SECRETARY

Place : Visakhapatnam

Date : 15.12.2004



EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

CORPORATE OFFICE : DABAGARDENS, VISAKHAPATNAM

DIRECTORS' REPORT

Dear Shareholder,

Your Directors have great pleasure in presenting the Fourth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2004. During the fourth year of the Company's operations, efforts were made to cater to the increasing market expectations by expanding capacity, modernising technology and focusing on customer care.

FINANCIAL HIGHLIGHTS

The highlights of the performance of our Company for the F.Y.2003-2004as against APERC Targets and in comparison with previous 3 years are as under:

Rs. Crores

| Particulars | | ARR Target 2003-04 | Actuals 2003-04 | Actuals 2002-03 | Actuals 2001-02 | Actuals 2000-01 |
|-------------|--|--------------------------|--------------------|--------------------|--------------------|--------------------|
| I | Revenue | | | | | |
| | Sale of Power (incl. Electricity Duty) | 1,535.30 | 1,489.51 | 1,360.40 | 1,198.80 | 1,145.14 |
| | Efficiency Gains | 29.88 | | | | |
| | Non-Tariff Income | 80.88 | 105.35 | 91.77 | 54.00 | 52.97 |
| | Subsidy | 226.66 | 226.66 | 211.81 | 287.87 | |
| | Total Revenue | 1,872.72 | 1,821.52 | 1,663.98 | 1,540.67 | 1,198.11 |
| II | Expenditure | | | | | |
| | Power Purchase | 1,578.91 | 1,550.22 | 1,417.00 | 1,375.69 | 1,002.46 |
| | Electricity Duty | 21.43 | 19.33 | 17.67 | 17.55 | 17.35 |
| | Employee Cost | 130.56 | 129.99 | 122.91 | 95.18 | 95.81 |
| | Administration & General Charges | 20.62 | 26.71 | 28.76 | 23.23 | 22.94 |
| | Repairs & Maintenance | 13.41 | 9.68 | 9.25 | 11.08 | 10.43 |
| | Interest & Finance Charges | 60.50 | 67.62 | 55.41 | 42.13 | 19.02 |
| | Depreciation | 57.33 | 62.81 | 53.22 | 44.37 | 36.12 |
| | Other Expenses - Corporate Exp. Etc. | 6.51 | 6.84 | 6.57 | 5.80 | 7.09 |
| | Prior Period Charges | | -0.91 | -1.78 | -13.96 | 1.12 |
| | Less: 1. Expenses Capitalised | 11.10 | 32.76 | 25.84 | 13.50 | 9.98 |
| | 2. Interest During Construction (IDC) | 9.12 | 20.77 | 24.83 | 31.96 | 4.25 |
| | Total Expenditure | 1,869.05 | 1,818.76 | 1,658.34 | 1,555.61 | 1,198.11 |
| | Profit before Tax | 3.67 | 2.76 | 5.64 | - 14.94 | 0.00 |
| | Provision for Income Tax | - | 0.22 | 0.45 | - | - |
| III | Profit after Tax | 3.67 | 2.54 | 5.19 | - 14.94 | 0 |
| | Special Appropriation Contingency Res. | 1.82 | 1.96 | 1.60 | - | - |
| | Net Profit carried forward to Balance Sheet | 1.85 | 0.58 | 3.59 | (14.94) | 0.00 |

Note: 1. Actual Sale of Power is inclusive of efficiency gains.



EXPENDITURE CONTROL

The actual expenditure during the year was Rs.1818.76 Crores as against the APERC approved estimate of Rs.1869.05 Crores. The details of the current year's expenditure in certain key areas, against the APERC Target and compared to the respective figures in the previous year are as follows:

| Particulars | Actual 2003-2004 | ARR Target 2003-2004 | Remarks |
|----------------------------|-----------------------------|---------------------------------|---|
| Power Purchase | 1550.22 | 1578.91 | Decrease in Power Purchase Cost equivalent to decrease in Demand. |
| Employee Cost | 129.99 | 130.56 | — |
| Admn. and Gen. Charges | 26.71 | 20.62 | Increase in Actuals due to e-Seva collections during 2003-2004. |
| Depreciation | 62.81 | 57.33 | Increase due to additions in the Capitalisation of Assets. |
| Repairs and Maintenance | 9.68 | 13.41 | Due to reduction in DTR failures and economy in repair cost. |
| Interest & Finance Charges | 67.62 | 60.50 | Increase in Actuals due to Incentive to HT Cat.IA, Guarantee Charges, Swapping of Loans and Borrowings from Institutions. |

CAPITAL WORKS PROGRESS

The Actual CWIP compared to Tariff Order for F.Y.2003-2004 are as follows:

| | Rs. Crores | |
|------------------------------------|-------------------|----------------------|
| | <u>ARR</u> | <u>Actual</u> |
| Base Expenditure | 110.00 | 182.00 |
| Expenses Capitalised | 11.00 | 32.76 |
| IDC (Interest During Construction) | 9.74 | 20.77 |
| | <hr/> | <hr/> |
| | 130.74 | 235.53 |
| | <hr/> | <hr/> |

The item wise CWIP for F.Y.2003-2004 is as follows:

| | Rs. Crores |
|---|---|
| Name of the Scheme | Expenditure to the end of 31.03.2003 |
| Distribution Plan (Release of services) | 23.81 |
| T&D | 9.70 |
| Rural Electrification | 50.11 |
| SI-REC | 14.20 |
| APL-I (Suppl.) | 9.05 |

Rs. Crores

| Name of the Scheme | Expenditure to the end of 31.03.2003 |
|---|--------------------------------------|
| Regularisation of unauthorised services | 0.48 |
| Segregation of Non-Agl. Loads | 15.02 |
| Pumpset energisation | 8.94 |
| SI – Transformers | 4.27 |
| SI – Conductors | 5.48 |
| SI – VCBs | 2.94 |
| Metering on LV Side DTRs | 0.18 |
| Metering for 11 KV Feeders | 0.05 |
| APDRP (Eluru Circle) | 29.76 |
| Town Business Plans under APDRP in EPDCL (except ELR) | 27.97 |
| Providing of High Accuracy Meters | 17.44 |
| Micro Controllers | 0.05 |
| Conversion of LV network into HVDS | 16.09 |
| Total | 235.53 |

REASONABLE RETURN

During the year 2003-04 the Company achieved a net profit after tax of Rs.0.58 Crores after creating Contingency Reserve of Rs.1.96 Crores and making Provision for Income Tax (Minimum Alternate Tax) of Rs.22 Lakhs under Section 115JB of the Income-Tax Act, 1961.

CONTINGENCY RESERVE

In compliance with the Directives of the Hon'ble AP Electricity Regulatory Commission, the Company has transferred an amount of Rs.1.96 Crores to the Contingency Reserve during the year and also invested the same in Government Securities as per the Indian Trusts Act. The cumulative position of Contingencies Reserve as on 31.03.2004 is Rs.3.57 Crores.

DIVIDEND AND TRANSFER TO RESERVES

As there is no adequate surplus available for distribution of dividend, your Directors could not declare any dividend for the year 2003-2004.

RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

- The Annual Accounts are prepared as per the Electricity Supply (Annual Accounts) Rules, 1985 and the applicable Accounting Standards, so as to give a true and fair view of the state of affairs of the Company for the Financial Year ended on March 31, 2004; and of the Revenue Account for that period with proper explanation relating to material departures;
- The Accounting Policies have been selected and consistently applied, so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Revenue of the Company for that period;



- iii) Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- iv) The Annual Accounts were prepared on a going concern basis.

COMPOSITION OF THE BOARD :

At present, the Board of Directors of the Company consists of the following 6 Directors, out of whom 2 are Non-Whole Time Directors:

| Name of the Director | Designation | Date of appointment/ Reappointment |
|-----------------------------|--------------------------------|---|
| Sri G.Sai Prasad, IAS | Chairman and Managing Director | 12.08.2004 |
| Sri G.Kesava Rao | Non-Whole Time Director | 17.12.2002 |
| Sri Dinesh Kumar, IAS | Non Whole Time Director | 24.09.2004 |
| Sri A.Kodanda Ramaiah | Director (Operation) | 23.5.2002 |
| Sri N.V.S.K.Sriram | Director (Projects) | 23.5.2002 |
| Sri Arijit K.Ghosh | Director (Finance) | 26.12.2002 |

- Note:
- 1. Sri Y.Gopala Krishna Murthy ceased to be Director with effect from 12.08.2004
 - 2. Sri A.Venkateshwar, IRAS, who was appointed as a Non whole Time Director on 28.08.2004, ceased to be a Director with effect from 24.09.2004.

BOARD MEETINGS:

During the year, the Company held 9 Board Meetings as follows:

| Sl.No. | Date of the Board Meeting | No. of Dirs. Attended |
|---------------|----------------------------------|------------------------------|
| 1 | 07.06.2003 | 5 |
| 2 | 16.07.2003 | 4 |
| 3 | 13.09.2003 | 6 |
| 4 | 14.10.2003 | 4 |
| 5 | 18.10.2003 | 5 |
| 6 | 16.01.2004 | 4 |
| 7 | 09.02.2004 | 3 |
| 8 | 05.03.2004 | 5 |
| 9 | 22.03.2004 | 6 |

AUDITORS

The Office of the Comptroller and Auditor General of India (C&AG) have appointed M/s M.Bhaskara Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the year.

AUDIT COMMITTEE

The Audit Committee of the Company consists of the following three Directors, out of whom two are Non-Whole Time Directors:

Sri Dinesh Kumar, IAS, Joint Managing Director (Finance, Comml., IPC & Reforms), APTRANSCO;
Sri G.Kesava Rao, Director (Transmission & Grid Operation), APTRANSCO; and
Sri A.Kodanda Ramaiah, Director (Operation), APEPDCL.

Note: Sri A.Venkateshwar, IRAS, who was appointed as Chairman of the Audit Committee on 28.08.2004, ceased to be a Director with effect from 24.09.2004.

The Audit Committee at its meeting held on 28.08.2004 at Visakhapatnam reviewed the Accounts for the Financial Year 2003-2004 and submitted their recommendations to the Board, which, among others, include the following:

1. Suitable Provision for Income Tax (Minimum Alternate Tax) as per the provisions of Section 115 JB of the Income Tax Act, 1961.
2. Strengthening the Internal Audit at Corporate Office.
3. Monthly reconciliation of energy sales and electricity duty by the Finance wing with the Energy Audit and the RAC wings.
4. Quarterly reconciliation of Accounts with APTRANSCO.

The Board of Directors at their meeting held on 28.08.2004 accepted the recommendations of the Audit Committee.

REPLIES TO COMMENTS OF THE STATUTORY AUDITORS AND THE CAG:

Replies of the management to comments of the Statutory Auditors and the Comptroller and Auditor General of India (CAG) u/s 619(4) of the Companies Act, 1956, are annexed hereto and form part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The disclosure requirements as to conservation of energy under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are not applicable to the Company. However, the following measures were taken up for ensuring efficient power supply and better consumer satisfaction during the current year:

- Comprehensive Metering
- Feeder Centric Energy Audit and Loss Evaluation'
- Regular and periodical maintenance of equipment and lines
- Intensive inspections to curb theft of energy and malpractices
- Renovation and modernization works for reduction of breakdowns.

There were no foreign exchange earnings and outgo during the year. The efforts, in brief, made towards Technology Absorption, Adaptation and Innovation during the year are:

1. HT Metering Information Management System (MIMS), an in house application is under development for tracking the Metering installation for HT Consumers.
2. Wide Area Networking is under process upto sub-division level.
3. Plans are afoot to enable bill payment through Internet Banking as well.

PARTICULARS OF EMPLOYEES

There were no employees drawing remuneration in excess of the prescribed limit whose details are required to be disclosed under the Companies (Particulars of Employees) Rules, 1975.



ACKNOWLEDGEMENTS :

Your Directors acknowledge the invaluable support and co-operation of the Chairperson & Managing Director, APTRANSCO and Chairmen & Managing Directors of sister Distribution Companies. We place on record our appreciation for the excellent services rendered by Sri Y.Gopala Krishna Murthy, ex-Chairman and Managing Director during his tenure. We take this opportunity to thank the Principal Secretary, Energy, Government of A.P., the Secretary, APERC and other officials of the Govt. of A.P., the Office of the Comptroller & Auditor General of India; the Bankers and Financial Institutions like Rural Electrification Corporation & Power Finance Corporation and look forward to their continued support in the future. Your Directors also place on record their appreciation for the excellent contribution made by all employees of APEPDCL through their commitment, competence and diligence to duty as well as the constructive co-operation extended by the Employees' Unions and the Officers' Associations.

For and on behalf of the Board

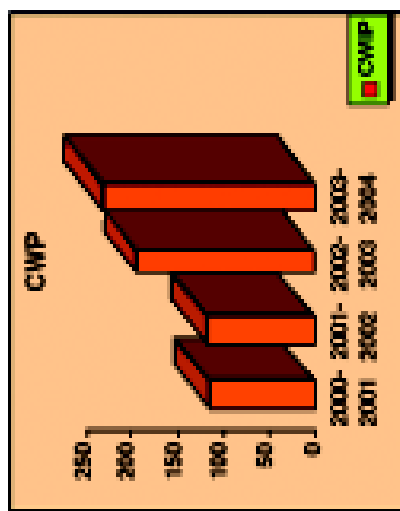
(G. SAI PRASAD)
CHAIRMAN & MANAGING DIRECTOR

Place : Visakhapatnam

Date : 20.12.2004

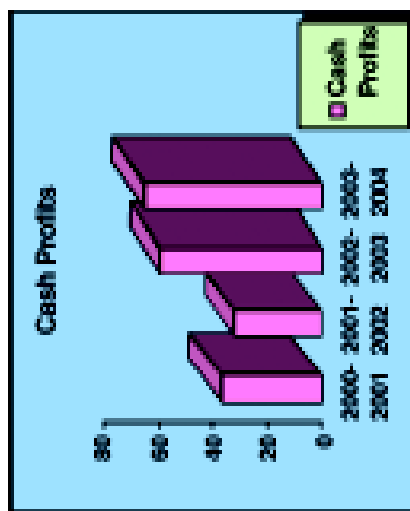
CAPITAL WORKS IN PROGRESS

| (Rs. Crores) | | | | |
|-----------------|-----------|-----------|-----------|-----------|
| Particular/Year | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 |
| CWIP | 115.37 | 122.11 | 194.19 | 235.53 |



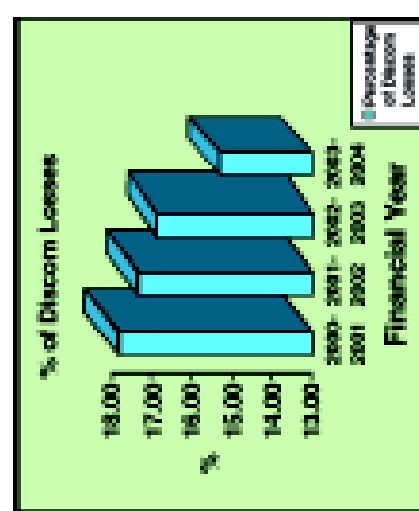
CASH PROFITS (PROFIT BEFORE DEPRECIATION)

| (Rs. Crores) | | | | |
|---|-----------|-----------|-----------|-----------|
| Particular/Year | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 |
| Surplus/(Deficit) after Net Prior Period Credit/Charges | 0.00 | -14.94 | 3.59 | 0.58 |
| Depreciation | 36.12 | 44.37 | 53.22 | 62.81 |
| Cash Profits | 36.12 | 29.43 | 56.81 | 63.39 |



DISCOM LOSSES (PERCENTAGE)

| (Rs. Crores) | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|
| Particular/Year | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 |
| Percentage of Discom Losses | 17.91 | 17.29 | 16.80 | 15.29 |





EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

Replies to the comments of CAG U/s 619(4) of Companies Act, 1956 for the year ended 31-03-2004

| Sl. No. | Comments of Comptroller and Auditor General of India | Reply of the company |
|---------|--|---|
| 1 | BALANCE SHEET | |
| | Other Current Liabilities (Sch.28) Staff related liabilities and provisions Rs. 15.28 Crore | |
| | <p>Reference is invited to Note 11 of the Notes to Accounts where it is mentioned that provision for leave encashment was not provided since the amount involved was insignificant and it could not be arrived at accurately. The qualification made by the Statutory Auditors vide para II (d) (vii) of their Report refers. The above position is factually not correct as the amount worked out by the Management in respect of 4520 out of 7377 employees amounted to Rs. 27.46 crore.</p> <p>This has resulted in understatement of 'Staff related liabilities and provisions by Rs. 27.46 crore. Consequently profit for the year (Rs. 1.64 crore) would also turn into loss of Rs. 25.82 crore.</p> | <p>The Annual leave eligibility to the eligible employees of the company is credited on 1st of Jan and July of every year and is allowed to encash upto 15 days per year and 30 days per 2 years. Of this, the annual leave encashed by the employees is fully accounted and the annual unencashed amount only is not provided which is uncertain as mentioned in the notes to the accounts. Thus, the amount paid to the retired employees during the year is also fully accounted in the current year.</p> <p>So far as the accumulated leave at credit of employee who is in service may avail in future or encash at the time of retirement (subject to maximum of 240 days) is consumed, the matter is uncertain. Further the quantum of liability is not relates to one year and spreads to many years depending upon the number of retires in each year. Hence, the provisional comment may be dropped.</p> <p>However, the comment is noted for future guidance to comply with the AS 15 as stated therein.</p> |

FINANCIAL REVIEW BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, VISAKHAPATNAM FOR THE YEAR ENDED 31 MARCH 2004

Note :- This review of accounts has been prepared without taking into account comments under section 619 (4) of the Companies Act, 1956 and qualification contained in the Statutory Auditor's Report.

1. **FINANCIAL POSITION**

The table below summaries the financial position of the Company for the year ended 31 March 2004.

(Rs. in lakh)

| Sl. No. | LIABILITIES | 2000-01 | 2001-02 | 2002-03 |
|---------|---|-----------------|------------------|------------------|
| a) | Equity / Paid up Capital | 7566.38 | 7566.38 | 7566.38 |
| b) | Reserves and Surplus | (1109.91) | 516.70 | (1320.89) |
| c) | Contribution, grants, subsidies towards capital cost of assets | 12904.17 | 18926.68 | 25468.79 |
| d) | Borrowings | | | |
| | i) Loan from Govt. of A.P | 4355.95 | 7297.47 | 4809.00 |
| | ii) Loan from REC & PFC (Guaranteed by Govt. of AP) | 18995.09 | 31559.75 | 44333.44 |
| e) | Trade dues and other Current Liabilities | 42241.86 | 36917.50 | 53002.48 |
| | TOTAL | 84953.54 | 102784.48 | 133859.20 |
| Sl. No. | ASSETS | 2000-01 | 2001-02 | 2002-03 |
| A1) | Gross Block | 69330.13 | 81740.29 | 101519.26 |
| A2) | Less: Depreciation | 34353.46 | 39675.91 | 45953.69 |
| a) | Net Fixed Assets (a1-a2) | 34976.67 | 42064.38 | 55565.57 |
| b) | Capital-work in progress | 12210.54 | 19419.64 | 23552.57 |
| c) | Investments | 11.10 | 11.10 | 170.08 |
| d) | Current Assets, Loans & Advances | 36243.46 | 40138.17 | 53479.87 |
| e) | Misc. expenditure to the extent not written off or adjusted (Intangible Assets) | 17.61 | 15.66 | 13.70 |
| f) | Net Revenue appropriation Account | 1494.16 | 1135.53 | 1077.41 |
| | TOTAL | 84953.54 | 102784.48 | 133859.20 |
| | Capital Employed | 41188.81 | 64704.69 | 79595.53 |
| | Net worth | 18958.78 | 25502.31 | 32300.86 |



Note : (i) Capital employed represents net Fixed Assets including Capital Expenditure- in-progress plus Working Capital.

(ii) Net worth represents paid-up-capital plus Reserves and Surplus and Contributions, Grants & Subsidies towards cost of capital assets Less intangible Assets.

2. CAPITAL STRUCTURE :

The Debt equity ratio of the Company as at the end of each of the three years ended 31 March 2004 was 3.09:1, 5.14:1 and 6.49:1 respectively.

3. RESERVES AND SURPLUS :

Reserves and Surplus (Contingency Reserve) stood at Rs. NIL, Rs.160.44 lakh and Rs.356.88 lakh respectively as at the end of each of the three years ended 31 March 2004. The Reserves & Surplus amounted to 0.27 percent of Total Liabilities and 4.72 percent of Equity respectively as at the end of 31 March 2004.

4. LIQUIDITY AND SOLVENCY :

- a) The percentage of Current Assets. Loans and Advances to total Assets decreased from 42.66 in 2001-02 to 39.05 in 2002-03, and increased to 39.95 in 2003-04.
- b) The percentage of Current Assets, Loans and Advances to Current Liabilities increased from 85.80 in 2001-02 to 108.72 in 2002-03, and decreased to 100.90 2003-04.
- c) The percentage of Quick Assets (Receivables against supply of power, Cash and Bank Balances, Loans & Advances and Sundry Receivables) to Current Liabilities increased from 82.79 in 2001-02 to 99.98 in 2002-03, and decreased to 95.98 in 2003-04.

5. WORKING CAPITAL :

The working Capital (Current Assets, Loans & Advances less trade dues and Other Current Liabilities) at the end of each of the three years ended 31 March 2004 amounted to (Rs. 5998.40 lakh), Rs. 3220.67 lakh, and Rs. 477.39 lakh respectively.

6. WORKING RESULTS :

The working results of the Company for the three years ended 31 March 2004 are as tabulated below.

(Rs. in lakh)

| Sl. No. | PARTICULARS | 2000-01 | 2001-02 | 2002-03 |
|---------|---|-----------|---------|---------|
| i) | Profit (Loss) before Tax | (1494.16) | 564.07 | 276.56 |
| ii) | Provision for Tax | Nil | 45.00 | 22.00 |
| iii) | Net Profit/(Loss) after Tax | (1494.16) | 519.07 | 254.56 |
| iv) | Percentage of Profit/(Loss) before Tax to | | | |
| a) | Revenue from Sale of power | 1.22 | 0.40 | 0.18 |
| b) | Capital Employed | 3.63 | 0.87 | 0.35 |
| c) | Gross Fixed Assets | 2.16 | 0.69 | 0.27 |

| | | | | |
|----|--|-------|------|------|
| v) | Percentage of Net Profit/(Loss) after Tax to | | | |
| a) | Net worth | 7.88 | 2.04 | 0.79 |
| b) | Equity Capital | 19.75 | 6.86 | 3.36 |
| c) | Capital employed | 3.63 | 0.80 | 0.32 |

7. SOURCES AND USES OF FUNDS :

Funds amounting to Rs. 6534.29 lakh from internal sources and Rs. 22059.08 lakh from external sources were utilized during the year 2003-04 as shown below.

(Rs. in lakh)

| | | Amount |
|-------|---|-----------------|
| (i) | Gross Fixed Assets including Capital Expenditure-in-progress & Assets not use | 23911.90 |
| (ii) | Investments | 158.98 |
| (iii) | Repayment of Loans from Government of AP | 2488.47 |
| (iv) | Repayment of Funds relating to employees | 2034.02 |
| | Total | 28593.37 |

8. SUNDRY DEBTORS AND TURNOVER :

The following table indicates the value of book debts and sales for the three years ending 31 March 2004.

(Rs. in lakh)

| As on 31 st March | Sundry Debtors | | | Sales | Percentage of Debt to sales | Debts in terms of monthly turnover |
|------------------------------------|--------------------|------------------------|----------|-----------|--------------------------------|--|
| | Considered good | Considered doubtful | Total | | | |
| 2002 | 21913.93 | 6716.16 | 28630.09 | 124052.55 | 23.08 | 2.77 |
| 2003 | 26236.78 | 4689.80 | 30926.59 | 143315.01 | 21.58 | 2.59 |
| 2004 | 31443.10 | 4723.72 | 36166.82 | 156527.43 | 23.11 | 2.77 |

The age wise break-up of the Sundry Debtors at the end of 31 March 2004 is as follows:

(Rs. in lakh)

| | | | |
|--------------|-------------------------|---|-----------------|
| i) | Less than Six months | - | 23736.84 |
| ii) | Six months to one year | - | 3170.84 |
| iii) | One year to three years | - | 4648.02 |
| iv) | More than three years | - | 4611.12 |
| TOTAL | | | 36166.82 |

Senior Audit Officer



M. BHASKARA RAO & CO.,

CHARTERED ACCOUNTANTS

Phone / Fax : 0891-2748236

No.2, 5th Floor, Rednam Regency

#47-10-10, Dwarakanagar

Visakhapatnam - 530 016

AUDITOR'S REPORT

To

The Members of

Eastern Power Distribution Company of Andhra Pradesh Limited,

VISAKHAPATNAM

We have audited the attached Balance Sheet of Eastern Power Distribution Company of Andhra Pradesh Limited as at 31st March 2004 the related Revenue Account for the year ended on that date annexed thereto, and the Cash Flow Statement for the year ended on that date, which we have signed under the reference to this report.

These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Accounts have been prepared in the format prescribed under Electricity (Supply) (Annual Accounts) Rules, 1985, which are not in total consonance with the Accounting Standards referred to in **Paragraph No. 8 of Statement 5 (i.e. Notes to Accounts)**

In terms of paragraph 6.2 of Distribution and Retail Supply Licence issued by Andhra Pradesh Electricity Regulatory Commission, the accounts are to be prepared in the form prescribed by India Electricity Rules, 1956, till the Commission stipulate any changes in form by regulations.

Subject to the foregoing remarks we report that :

- I. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 of India ('The Act') and on the basis of such check of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the attached Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that :
 - a) We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law, have been kept by the Company, so far as it appears from our examination of these books;
 - c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account.

d) In our opinion the Balance Sheet and the Revenue Account dealt with by this report are prepared in compliance with the applicable Accounting standards, referred to in terms of section 211 (3C) of the companies Act, 1956 except in the case of following Accounting Standards issued by the Institute of Chartered Accountants of India.

- (i) **AS-1 : on disclosure of Significant Accounting Policies adopted in the preparation and presentation of financial statements.**
- (ii) **AS-5 : Prior Period items should refer to items which arise out of errors or omissions and not for changes arising on account of short or excess provision made in previous years.**
- (iii) **AS-6 : Depreciation on additions during the year has to be charged from the date of capitalisation. The Company has not followed the depreciation rates prescribed in Schedule XIV of Companies Act, 1956 but has followed the rates notified by Government of India. The effect of such deviations has not been quantified.**
- (iv) **(AS-9) : Interest on loans & advances to employees and surcharge on Additional Consumer Deposit (ACD) are being recognised on receipt/recovery only instead of on accrual basis.**
- (v) **AS-10 : Treatment of consumer's contribution has to be deducted from the fixed assets; Addition of employee cost to the fixed assets was on an adhoc basis.**

Spare/service units account is showing a credit balance of Rs. 18,66,337 which is valued at weighted average cost included in fixed assets schedule leading to non-compliance of the accounting policy No. 1.40 with respect to historical cost convention.
- (vi) **AS-12 : The amount of grant/subsidy received from consumers / Govt. of Andhra Pradesh was taken to Reserve Account and not deducted from the cost of the related asset.**
- (vii) **AS-15 : Provision for Pension Gratuity and Leave salary encashment has not been as per actuarial valuation.**
- (viii) **AS-16 : Borrowing Cost envisages that Capitalisation of interest shall cease on the date of completion of the Asset and the Capitalisation policy is not depending on the date of completion of Assets and the impact thereof is unascertainable.**
- (ix) **AS-22 : Accounting for taxes on Income.**

The effect of the above on the financial statements is not ascertainable.

- E) (i) **Note No.9 regarding Opening balances of all fixed Assets, Current Assets and Liabilities are adopted from the 2nd Transfer Scheme as per the notification of the Government of Andhra Pradesh, which are available as block figures under major group heads. The item-wise details of every asset under each group are in the process of ascertainment. Consequent non-provision of unreconciled/doubtful items, the impact on Revenue Account and Balance Sheet is not being ascertained.**
- (ii) **Non-reconciliation of consumer ledger with Sundry Debtors for energy sold.**
- (iii) **Non-reconciliation of Physical Inventory balance with Price stores Ledger and & Financial Ledger.**
- (iv) **Non-reconciliation of consumer Deposits as per consumer ledger with Consumption Deposits as per Books of Account.**
- (v) **Non-reconciliation of accounts with Transmission Corporation of Andhra Pradesh Limited.**



- (vi) **Non-reconciliation of Inter-unit accounts leading to an un-reconciled amount of Rs. 6,68,215 Credit Balance.**
 - (vii) **Note No. 18 regarding Loans and Advances made by the company not classified as secured or otherwise.**
 - (viii) **Sundry Debtors for sale of power includes dues, which were outstanding over 3 years. In the absence of adequate proof about the recovery of these outstanding we are unable to express our opinion about their recoverability and whether the existing provision is adequate.**
 - (ix) **The Balances outstanding against Sundry Debtors, Advances and Sundry Creditors are subject to confirmation.**
 - (x) **Balances with Banks/Financial Institutions: Reconciliations has not been done and confirmations have not been obtained.**
- F) Since the Company is a Government Company, the provisions of Section 274(1) (g).of the Companies Act 1956 is not applicable to this Company.
- The impact of the above on the financial statements is not ascertainable.
- G) Subject to paragraph II (D) and II (E) in our opinion and to the best of our information and according to the explanation given to us, the said accounts read with notes thereon and accounting policies, give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
- (i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2004 ;and
 - (ii) In the case of Revenue Account, the surplus for the year ended on that date.
 - (iii) In the case of Cash Flow Statement, of Cash Flow for the year ended on that date.

For **M/S. M. BHASKARA RAO & CO.,**
Chartered Accountants

B. Radha Krishna
Partner
Membership No. 22061

Place : Visakhapatnam
Date : 28.08.2004

**ANNEXURE TO THE AUDITOR'S REPORT REFERRED TO
IN PARAGRAPH I OF OUR REPORT ON EVEN DATE**

- (i)
- a) The Company has not maintained any records showing full particulars, including quantitative details and situation, of its Fixed Assets.
 - b) We have not been furnished with any data to enable us to conclude that the company has either a programme for physical verification of assets or that they have been actually verified during the year. In the absence of such record any verification we are enable to state whether there are any material discrepancies. However we were informed that the Company is in process of verification of fixed assets.
 - c) According to the information and explanations given to us, a substantial part of Fixed Assets has not been disposed of by the company during the year.
- (ii)
- a) We are informed that Stores, Spare parts and Components etc, have been physically verified by the Management, periodically.
 - b) In our opinion, the procedure of physical verification of stocks followed by the management though reasonable is quite inadequate in relation to size of the company and the nature of its business.
 - c) The discrepancies noted on such physical verification of stocks as compared to book records were not material, and except for a few instances, have been properly dealt with in the books of accounts.
 - d) In our opinion and on the basis of our examination, the valuation of stocks is fair and proper and in accordance with the normally accepted principles, excepting the valuation of scrap, which is valued at weighted average cost.
- (iii)
- a) The company has not granted/taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Sec.301 of the companies Act,1956.
 - b) The employees to whom loans and advances in the nature of loans have been given are generally regular in payment of interest and repayment of principal amount except in few cases.
- (iv)
- a) In our opinion and according to the information and explanation given to us, there are inadequate internal control procedures, commensurate with the size of the company and nature of its business with regard to purchase of Inventory, Fixed Assets and with regard to sale of goods during the course of our audit and we have not observed any continuing failure to correct major weakness in the internal controls.
- (v)
- a) In our opinion and according to the information and explanations given to us, and based, on the representations by the management there are no transactions that needs to be entered in the register maintained under Section 301 of the Act.



- b) In view of the above clause v (a) of this order is not applicable for the current year.

(vi)

- a) According to the information and explanations given to us, the company has not accepted deposits from the public within the meaning of the provision of section 58A of the companies Act, 1956 and the rules framed thereunder.

(vii)

- a) The company has an internal Audit system, which in our opinion, require further strengthening commensurate with the size and nature of its business of the company.

(viii)

- a) The company in our opinion and according to the information and explanation given to us has maintained the basic records as prescribed by the Central Government U/S. 209(1) (d) of the companies Act, 1956. The Company is in the process of preparing the cost sheets that are required for Electricity Distribution Company to ascertain the cost. We have not however made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix)

- a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, (except in delays in remitting income tax deductions, sales tax) employees' state insurance, income tax, sales tax wealth tax, customs duty, excise duty, cess and other material dues as applicable with the appropriate authorities. There are no outstanding dues in respect of the above items which are more that six months as at the balance sheet date except in few cases there is delay in remitting the income tax, sales tax.
- b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of sales tax, income-tax, excise duty, entry tax and cess as at 31st March, 2004 which have not been deposited on account of a dispute, are s follows.

| Name of the statute | Nature | Rs./lakhs | Period | Form where the dispute is pending |
|--|-------------------------------|---------------|---------------------------|---|
| A.P. Tax on entry of goods into local areas act'2001 | Entry Tax/Stay of collection | 262.93 | June 2002 to March 2003 | Write petition filed in A.P. High Court |
| | Entry Tax/ Stay of Collection | 68.91 | April 2003 to June 2003 | Write petition filed in A.P. High Court |
| | Entry Tax Stay of Collection | 76.79 | July 2003 to November '03 | Additional Commercial, C.T., Hyderabad |
| A.P. Tax on entry of goods into local areas act'2001 | Entry Tax | 262.93 | June 2002 to March 2003 | The Appellate Deputy Commercial (C.T.), Visakhapatnam (VSP/8/2004-05) |
| | Entry Tax | 68.91 | April 2003 to June 2003 | The Appellate Deputy Commercial (C.T.), Visakhapatnam (VSP/8/2004-05) |
| | Entry Tax | 76.79 | July 2003 to November '03 | The Appellate Deputy Commercial (C.T.), Visakhapatnam (VSP/8/2004-05) |
| | Grand Total | 408.63 | | |

(x)

- a) The Company has accumulated losses of Rs. 10.77 crores as at 31st March, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

(xi)

- a) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.

(xii)

- a) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities

(xiii)

- a) The provisions of any special statute applicable to chit fund/Nidhi/mutual benefit fund/societies are not applicable to the company.

(xiv)

- a) In our opinion, the company is not a dealer or trader in shares, securities debentures and other investments.

(xv)

- a) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for any loan taken by a party from bank during the year, are not prejudicial to the interest of the company.

(xvi)

- a) In our opinion, and according to the information and explanation given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained (other than a small portion of the said loan which is yet to be utilized at the year end.)

(xvii)

- a) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment, and vice versa.

(xviii)

- a) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained Under Section 301 of the Act during the year and therefore paragraph 4(xviii) of the Order is not applicable.

(xix)

- a) The Company has not issued any debentures during the year and therefore paragraph 4(xix) of the Order is not applicable.

(xx)

- a) The Company has not raised any money by public issues during the year and therefore paragraph 4(xx) of the Order is not applicable.



(xxi)

- a) In accordance with the information and explanations given to us and on our examination of books and records, no fraud on or by Company has been noticed or reported during the year.

For **M/S. M. BHASKARA RAO & CO.,**
Chartered Accountants

B. Radha Krishna
Partner
Membership No. 22061

Place : Visakhapatnam
Date : 28.08.2004

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

CORPORATE OFFICE : DABAGARDENS, VISAKHAPATNAM

Replies of the Company to the comments of the statutory auditors contained in their Report for the year 2003-04.

| Comments made by M/s. M. Bhaskara Rao & Co. | Replies |
|--|--|
| D (i) AS-1: on disclosure of Significant Accounting Policies adopted in the preparation and presentation of financial statements | Significant Accounting Policies adopted in the preparation and presentation of financial statements are already mentioned in the notes to accounts. However, continuous effort is made to improve upon the requirement of the Accounting Standards issued by the ICAI. |
| (ii) AS-5 Prior Period items should refer to items which arise out of errors or omissions and not for changes arising on account of short or excess provision made in previous years | Certain adjustment entries are necessary in transition period from cash basis to accrual accounting system. |
| (iii) AS-6: Depreciation on additions during the year has to be charged from the date of capitalization. The Company has not followed the depreciation rates prescribed in Schedule XIV of Companies Act, 1956 but has followed the rates notified by Government of India. The effect of such deviations has not been quantified. | So far the Company is following ESAAR and the depreciation rates as notified in the specific circular issued by the Ministry of Power, Government of India. |
| (iv) AS-9: Interest on loans & advances to employees and surcharge on Additional Consumer Deposit (ACD) are being recognized on receipt/recovery only instead of on accrual basis. | Surcharge for belated payment on Additional consumption deposit is being looked into for improvement during the year 2004-05. Interest on Loans and advances to employees are taken into account on accrual basis in the financial year 2003-04. |
| (v) AS-10: Treatment of consumer's contribution has to be deducted from the Fixed Assets; Addition of employee cost to the fixed assets was on an adhoc basic. Spare/Service units account is showing a credit balance of Rs. 18.66 Lakhs, which is valued at weighted average cost included in Fixed Assets schedule leading to non-compliance of the accounting policy No.1.40 with respect to historical cost convention. | The Company is consistently following the present accounting treatment, which is in accordance with ESAAR. Physical verification of Assets with reference to Fixed Assets are being done. It is expected in 2004-05 proper segregation for spare will take place. |
| (vi) AS-12: The amount of grant/ subsidy received from consumers was taken to Reserve Account and not deducted from the cost of the related asset. | The Company is consistently following the present accounting treatment, which is in accordance with ESAAR. |
| (vii) AS-15 : Provision for Pension Gratuity and Leave salary encashment has not been as per actuarial valuation. | The Holding Company has appointed the actuarial valuation agency for working out the liability for Pension and Gratuity, Leave salary encashment, As soon as the data is made available necessary provision will be created in 2004-05accounts. |
| (viii) AS – 16 : Borrowing Cost in visages that Capitalization of interest shall cease on the date of completion of the Asset and the Capitalization policy is not depending on the date of completion of Assets and the impact thereof is unascertainable . | The Company is following ESAAR-1985 |

| | |
|--|--|
| (ix) AS-22: Accounting for taxes on Income | As there is carried forward losses for the Company as per the Income tax return filed, the compliance will be taken care of at appropriate time |
| E (i) Note No. 9: Regarding Opening balances of all Fixed Assets, Current Assets and Liabilities are adopted from the 2 nd Transfer Scheme as per the notification or the Government of Andhra Pradesh, which are available as block figures under major group heads. The item-wise details of every asset under each group are in the process of ascertainment. Consequent non-provision of unreconciled/doubtful items, the impact on Revenue Account and Balance Sheet is not being ascertained. | The Fixed Assets of the Company are in the process of reconciliation with the physical position. As the company's assets are spread over in 5 districts of the state, it takes more time to complete entire physical verification and reconciliation. The process is expected to complete in 2004-05 Financial year. |
| (ii) Non-reconciliation of consumer ledger with Sundry Debtors for energy sold. | Consumer's ledger reconciliation with Sundry Debtors has been completed for the current year transactions and the reconciliation of the entire balances will be completed in due course. |
| (iii) Non-reconciliation of Physical Inventory balance with price stores Ledger and Financial Ledger. | Quantity reconciliation is done Monthly with reference to priced ledger and Numerical ledger. Competent authority in Circles does physical verification of the inventory; the Internal auditors are also making physical verification on yearly basis with reference to ledgers. |
| (iv) Non-reconciliation of consumer Deposits as per Consumer Ledger with Consumption Deposits as per Books of Account. | Due to availability of block Figures in the 2 nd Transfer G.O, there is some difficulty in reconciliation in consumer deposit with consumption deposit. However, this is partly completed and expected to be completed in 2004-05. |
| (v) Non-reconciliation of accounts with Transmission Corporation of Andhra Pradesh Limited. | Reconciliation has been done and sent to A.P.Transco for confirmation. |
| (vi) Non-reconciliation of Inter-unit accounts leading to an reconciled amount of Rs.6, 68,215 /- Credit Balance. | Internal Unit accounts are fully reconciled during 2004-05. |
| (vii) Note No. 18 regarding Loans and Advances made by the Company not classified as secured or otherwise. | The Loans and advances granted by the Company are mainly to the employees. Such loans are given only after observing safeguards as per rules, to ensure recoveries as per stipulated norms. However, advances to suppliers are covered with Bank Guarantee. |
| (viii) Sundry Debtors for sale of power includes dues, which were outstanding over 3 years. In the absence of adequate proof about the recovery of these outstanding we are unable to express our opinion about their recoverability and whether the existing provision is adequate. | The Company appointed Chartered Accountants for ascertaining the quality of Sundry Debtors. However, adequate provision exists to take care of such requirements of bad debts, if any. |
| (ix) The Balances outstanding against Sundry Debtors, Advances and Sundry Creditors are subject to confirmation. | There is no existing procedure of ascertaining confirmation of Sundry Debtors outstanding. However, for advances to suppliers, the value of the Bank Guarantee may be treated as confirmation. |
| (x) Balances with Banks/Financial Institutions: Reconciliation has not been done and confirmation has not been obtained. | Bank reconciliation is completed for the year 2003-04. |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | |
|---|--|------------------|---|
| REVENUE ACCOUNT | | | STATEMENT-I (Rupees in Lakhs) |
| Sch. No. | SCHEDULE NOTE | 2003-2004 | 2002-2003 |
| | <u>INCOME</u> | | |
| 1 | Revenue from Sale of Power | 156527.43 | 143315.01 |
| | <u>Less:</u> State Electricity duty | 1933.13 | 1767.76 |
| | | 154594.30 | 141547.25 |
| 4 | Revenue Subsidies and grants | 22666.00 | 21181.00 |
| 5 | Other Income | 2959.19 | 1902.34 |
| | TOTAL INCOME | 180219.50 | 164630.59 |
| | <u>EXPENDITURE</u> | | |
| 6 | Purchase of Power | 155022.39 | 141700.36 |
| 8 | Repairs & Maintenance | 968.22 | 924.55 |
| 9 | Employee costs | 12998.77 | 12290.97 |
| 10 | Administration & General Expenses | 2671.45 | 2875.67 |
| 11 | Depreciation and Related Expenses (Net) | 6281.27 | 5322.45 |
| 12 | Interest & Finance Charges | 6760.55 | 5540.98 |
| | SUB TOTAL: | 184702.65 | 168654.99 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

R E V E N U E A C C O U N T

STATEMENT-I (Contd.)

(Rupees in Lakhs)

| Sch. No. | SCHEDULE NOTE | 2003-2004 | 2002-2003 |
|----------|--|------------------|------------------|
| | <u>LESS EXPENSES CAPITALISED</u> | | |
| 13 | Interest and Finance charges capitalised | 2076.83 | 2483.56 |
| 14 | Other expenses capitalised | 3276.02 | 2584.20 |
| | SUB TOTAL: | 5352.85 | 5067.76 |
| 15 | Other Debits | 677.29 | 668.52 |
| 16 | Extra-Ordinary Items | 6.44 | (10.82) |
| | SUB TOTAL : | 683.73 | 657.69 |
| | TOTAL EXPENDITURE | 180033.53 | 164244.92 |
| | PROFIT / (LOSS) BEFORE TAX | 185.97 | 385.67 |
| 17 | Provision for Income Tax | 22.00 | 45.00 |
| | PROFIT/ (LOSS) AFTER TAX | 163.97 | 340.67 |
| 18 | Net Prior Period Credits / (Charges) | 90.59 | 178.41 |
| | SURPLUS / (DEFICIT) | 254.56 | 519.07 |

As per our report attached
for M/s. M. Bhaskara Rao & Co.
Chartered Accountants



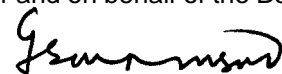
B. Radhakrishna
Partner
Membership No. 22061

Visakhapatnam
28.08.2004

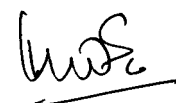


P. Vithal Kumar
Company Secretary

for and on behalf of the Board



G. Sai Prasad I.A.S.
Chairman & Managing Director



Arijit K. Ghosh
Director (Finance)

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

NET REVENUE AND APPROPRIATION ACCOUNT

STATEMENT-II
(Rupees in Lakhs)

| PARTICULARS | This Year (2003-2004) | Previous year (2002-2003) |
|---|--------------------------|------------------------------|
| Balance brought forward from last year | (1,135.53) | (1,494.16) |
| Surplus / (Deficit) from Revenue Account | 254.56 | 519.07 |
| CREDITS : | | |
| Transfer from General Reserve | 0 | 0 |
| APPROPRIATIONS : | | |
| Contribution to Reserve and Reserve Funds | 0 | 0 |
| Sinking Fund for Repayment of Borrowings | 0 | 0 |
| General Reserve | 0 | 0 |
| Contingency Reserve | 196.43 | 160.44 |
| Balance carried forward | (1,077.41) | (1,135.53) |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

BALANCE SHEET

STATEMENT-III
(Rupees in Lakhs)

| Sch. No. | SCHEDULE NOTE | | As on 31.03.2004 | As on 31.03.2003 |
|-------------|---------------------------------------|--|---------------------|---------------------|
| | NET ASSETS: | | | |
| 19 | Net Fixed Assets | | | |
| | Gross Block | | 101519.13 | 81740.29 |
| | Less: Accumulated Depreciation | | 45953.69 | 39675.91 |
| | Net Fixed Assets | | 55565.44 | 42064.38 |
| 21 | Capital Expenditure in progress | | 23552.57 | 19419.64 |
| 22 | Assets not in use | | 0.13 | 0.00 |
| 24 | Intangible Assets | | 13.70 | 15.66 |
| 25 | Investments | | 170.08 | 11.10 |
| | <u>Net Current Assets</u> | | | |
| 26 | Total Current Assets | | 53479.87 | 40138.18 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

BALANCE SHEET

STATEMENT-III (Contd.)
(Rupees in Lakhs)

| Sch. No. | SCHEDULE NOTE | | As on 31.03.2004 | As on 31.03.2003 |
|----------|--|--|---------------------|---------------------|
| | Less: Total Current Liabilities | | | |
| 27 | Security Deposits from Consumers | | 28668.18 | 26182.92 |
| 28 | Other Current Liabilities | | 24334.30 | 10734.58 |
| | Total Current Liabilities | | 53002.48 | 36917.50 |
| | Net Current Assets | | 477.40 | 3220.68 |
| 29 | Subsidy Receivable from Government | | | |
| | Deficit | | 1077.41 | 1135.53 |
| | NET ASSETS | | 80856.72 | 65866.98 |
| | <u>FINANCED BY:</u> | | | |
| 30 | Borrowings for working capital | | 0.00 | 0.00 |
| 31 | Payments due on capital liabilities | | 4809.00 | 7297.47 |
| 32 | Capital liabilities | | 44333.44 | 31559.75 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

BALANCE SHEET

STATEMENT-III (Contd.)

(Rupees in Lakhs)

| Sch. No. | SCHEDULE NOTE | As on 31.03.2004 | As on 31.03.2003 |
|----------|--|------------------|------------------|
| 33 | Funds from state Government | 7566.38 | 7566.38 |
| 34 | Contributions, Grants, and Subsidies towards cost of capital Assets. | 25468.79 | 18926.68 |
| 35 | Reserves & Reserve funds. | (1320.89) | 516.70 |
| | TOTAL FUNDS | 80856.72 | 65866.98 |

As per our report attached
for M/s. M. Bhaskara Rao & Co.
Chartered Accountants

B. Radhakrishna
Partner
Membership No. 22061

Visakhapatnam
28.08.2004

for and on behalf of the Board

G. Sai Prasad I.A.S.
Chairman & Managing Director

Arijit K. Ghosh
Director (Finance)

P. Vithal Kumar
Company Secretary

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|---|---------------------|--------------------|----------------------------------|
| REVENUE FROM SALE OF POWER | | | | SCHEDULE 1 (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| | <u>L.T.SUPPLY:</u> | | | |
| 1 | Domestic supply - Category-I | 61.200 | 3156599905 | 3421302135 |
| 2 | Non-Domestic Supply - Category-II | 61.210 | 1695420554 | 1565629389 |
| 3 | Industrial supply-Category-III | 61.220 | 1279841795 | 1294223179 |
| 4 | Cottage Industries - Category-IV | 61.230 | 3705297 | 3093984 |
| 5 | Irrigation and Agriculture Category-V | 61.24 & 61.25 | 416190060 | 425097067 |
| 6 | Public Lighting - Category-Vi | 61.260 | 274479759 | 242318868 |
| 7 | General Purpose - Category-VII | 61.270 | 78162534 | 73838916 |
| 8 | Temporary - Category-VIII | 61.280 | 4633812 | 3620495 |
| | L.T.TOTAL : | | 6909033716 | 7029124033 |
| | <u>H.T.SUPPLY</u> | | | |
| 1 | Industrial segregated - Category-I | 61.300 | 5304209874 | 4047839959 |
| 2 | Industrial non-segregated-Category-II | 61.310 | 565156493 | 557879809 |
| 3 | Irrigation and Agriculture - Category-IV | 61.330 | 20314454 | 17956182 |
| 4 | Railway Traction-Category-V | 61.340 | 1691619550 | 1682973686 |
| 5 | Electricity Co-op. Societies | 61.380 | 91777051 | 79658495 |
| 6 | Power intensive Consumers | 61.320 | | |
| 7 | Extra State supplies to Government of Pondichery. | | | |
| 8 | Inter State Supplies | 61.100 | | |
| 9 | Temporary | 61.390 | 6255458 | (106589897) |
| 9a | Grid support charges | 61.400 | 1481119 | 1274316 |
| 10 | Colony Consumption | 61.350 | 82847460 | 78968401 |
| | H.T.TOTAL: | | 7763661459 | 6359960951 |
| | L.T. + H.T.TOTAL | | 14672695175 | 13389084984 |
| 11 | Less : 25% Rebate to New industries | 78.830 | 30199889 | 24774059 |
| | Net L.T.+H.T.Total: | | 14642495286 | 13364310925 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|----------------------------|--------------------|
| REVENUE FROM SALE OF POWER | | | SCHEDULE 1 (Contd.) | |
| | | | (In Rupees) | |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| | <u>MISCELLANEOUS REVENUE</u> | | | |
| 1 | Electricity Duty recovery | 61.501 to 519 | 193313053 | 176776190 |
| 2 | Other state levies recovery | 61.521 to 539 | 1372762 | 1609338 |
| 3 | Meter Rent / Service line rentals | 61.600 | 0 | 0 |
| 4 | Recoveries for theft of power / Malpractices | 61.700 | 80579740 | 100387410 |
| 5 | Sub Total: | | 275265555 | 278772938 |
| 6 | Wheeling charges recoveries | 61.800 | 1906378 | 0 |
| 7 | Miscellaneous charges from consumers | 61.900 | 733076280 | 688417280 |
| | Total : | | 1010248213 | 967190218 |
| | Gross Revenue from sale of power | | 15652743499 | 14331501143 |
| 8 | Less: Electricity Duty payable | 61.541 | 193313053 | 176776190 |
| 9 | Other state levies payable(which is included in (61.541) | 61.521 | | |
| | Net Total : | | 15459430446 | 14154724953 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|--------------------|--------------------|
| ELEMENTWISE ANALYSIS OF REVENUE | | | SCHEDULE 2 | |
| | | | (In Rupees) | |
| | Particulars | Account Code | 2003-04 | 2002-03 |
| | REVENUE | | | |
| | Demand charges | | 982,294,575 | 953,909,723 |
| | Energy charges | | 13,687,616,340 | 12,514,441,702 |
| | Fuel cost adjustment charges | | 6,155,980 | 7,426,314 |
| | Power Factor Surcharge | | 9,976,220 | 10,085,180 |
| | Adjustments to past billing | | (13,347,940) | (96,777,935) |
| | Less: 25% Rebate to New industries | | 30,199,889 | 24,774,059 |
| | TOTAL: | | 14642495286 | 13364310925 |
| | Electricity Duty & Other State Levies | | | |
| | Electricity Duty recovery | | 193,313,053 | 176,776,190 |
| | Other State Levies Recovery | | 1,372,762 | 1,609,338 |
| | TOTAL: | | 194685815 | 178385528 |
| | Meter Rent/Service Line Rental | | | |
| | Recoveries for Theft of Power/Malpractices | | 80,579,740 | 100,387,410 |
| | Wheeling charges recoveries | | 1,906,378 | |
| | Miscellaneous recoveries | | 733,076,280 | 688,417,280 |
| | Fuse charges | | | |
| | Total Miscellaneous Recovery | | 815562398 | 788804690 |
| | Gross Revenue from Sale of Power | | 15652743499 | 14331501143 |
| | Less: | | | |
| | Electricity Duty payable | | 193,313,053 | 176776190 |
| | Other State Levies Payable | | | |
| | Net Total: | | 15459430446 | 14154724953 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | | |
|---|--|----------------------------|---------------------------|------------------------------|--|
| AVERAGE REALISATION FROM SALE OF POWER | | | | | SCHEDULE 3 (In Rupees) |
| Sl. No. | PARTICULARS | Number of Consumers | Total Units (M.U.) | % of total units sold | Average realisation in paise per unit |
| | L.T. SUPPLY | | | | |
| 1. | Domestic Supply - Category-I | 2572043 | 1577.861 | 44.98 | 200.06 |
| 2. | Non-Domestic Supply - Category-II | 224975 | 288.516 | 8.23 | 587.64 |
| 3. | Industrial supply - Category-III | 21594 | 301.724 | 8.60 | 424.18 |
| 4. | Cottage Industries - Category-IV | 1308 | 1.444 | 0.04 | 256.66 |
| 5. | Irrigation and Agriculture Category-V | 119585 | 1175.417 | 33.51 | 35.41 |
| 6. | Public Lighting - Category-VI | 17258 | 143.167 | 4.08 | 191.72 |
| 7. | General Purpose - Category-VII | 21529 | 18.897 | 0.54 | 413.63 |
| 8. | Temporary - Category-VIII | 12 | 0.667 | 0.02 | 694.62 |
| | L.T. TOTAL : | 2978304 | 3507.69 | 100 | 196.97 |
| | H.T. SUPPLY | | | | |
| 1. | Industrial segregated - Category-I | 549 | 1390.338 | 69.86 | 381.50 |
| 2. | industrial non-segregated-Category-II | 272 | 98.367 | 4.94 | 574.54 |
| 3. | Irrigation and Agriculture - Category-IV | 26 | 9.423 | 0.47 | |
| 4. | Railway Traction-Cagetory-V | 15 | 369.388 | 18.56 | 457.95 |
| 5. | Electricity Co-op. Societies | 2 | 97.911 | 4.92 | 93.74 |
| 6. | Power intensive Consumers | | | | |
| 7. | Extra State supplies to Government of Pondichery | | | | |
| 8. | Inter State Supplies | | | | |
| 9. | Temporary | | 0.000 | | |
| 9a | | | | | |
| 10 | Colony Consumption - VI | 38 | 24.769 | 1.24 | 334.48 |
| | H.T. TOTAL : | 902 | 1990.197 | 100.00 | 390.02 |
| | L.T. + H.T. TOTAL | 2979206 | 5497.888 | 100.00 | 266.85 |
| 11 | Less : 25% Rebate to New industries | | | | |
| | Net L.T. + H.T. Total : | 2979206 | 5497.888 | 100.00 | 266.85 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|-------------------|----------------------------------|
| REVENUE SUBSIDIES AND GRANTS | | | | SCHEDULE 4 (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | Each of the Sub-accounts under main Account | 63.100 | | |
| 2 | Subsidies and grants from Government | 63.110 | 2266600000 | 2118100000 |
| 3 | Grants for research and Development expenses | 63.120 | | |
| 4 | Grant in aid for education | 63.130 | | |
| | TOTAL: | | 2266600000 | 2118100000 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|---|---------------------|------------------|----------------------------------|
| OTHER INCOME | | | | SCHEDULE 5 (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | Interest on staff loans and advances | 62.210 to 62.219 | 526658 | 900216 |
| 2 | Income from investments | 62.220 to 62.239 | 0 | 16199 |
| 3 | Interest on Loans & Advances to Licencees | 62.240 | | |
| 4 | Delayed payment charges from consumers | 62.250 & 62.251 | 235784844 | 160956902 |
| 5 | Interest on Advances to suppliers / contractors | 62.260 | 1563296 | 140332 |
| 6 | Interest from Banks(Other than on fixed deposits) | 62.270 | 33116512 | 4022616 |
| 7 | Income from Trading | 62.300 | 0 | 0 |
| 8 | Income from staff Welfare activities | 62.600 | 0 | 0 |
| 9 | Miscellaneous receipts | 62.900 | 24927994 | 24197952 |
| | TOTAL: | | 295919304 | 190234217 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|--------------------|----------------------------------|
| PURCHASE OF POWER | | | | SCHEDULE 6 (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | POWER PURCHASED | | 15502238811 | 14170036130 |
| | I. State Government | 70.101 | | |
| | ii. N.T.P.C | 70.102 | | |
| | III. N.T.P.C(ER) | 70.103 | | |
| | IV. M.P.E.B | 70.104 | | |
| | V. Karnataka Elecy. Bd | 70.105 | | |
| | Vi. T.N.E.B | 70.106 | | |
| | Vii. Maharashtra S.E.B | 70.107 | | |
| | Viii. N.L.C. Neyveli | 70.108 | | |
| | Viii. N.P.C.(M.A.P.S) | 70.109 | | |
| | X. APGPCL. | 70.110 | | |
| | Xi. G.V.K.Ind. Ltd., | 70.111 | | |
| | xii. Power Grid Corpn. Of India | 70.112 | | |
| | xiii. Spectrum | 70.121 | | |
| | xiv. Raincalcining Ltd. | 70.124 | | |
| | xv. Navabharat Ferro/KMM | 70.125 | | |
| | xvi. Deccan Cements Ltd. | 70.127 | | |
| | xvii. H.W.P.Manuguru | 70.130 | | |
| | xvii. Sponge Iron(I) Ltd. | | | |
| | xviii.Vizag Steel Plant | 70.140 | | |
| | xx. HPCL, Vizag. | 70.141 | | |
| | xxi. PGCIL(Eastern Regn.) | 70.150 | | |
| | xxii. Kerala S.E.B | 70.155 | | |
| 2 | Total Power Purchased | | | |
| 3 | Write-off of cost of acquiring rights to receive power from other bodies | | | |
| 4 | Wheeling charges | | | |
| | a) T.N.E.B | | | |
| | b) Gridco | | | |
| TOTAL: | | | 15502238811 | 14170036130 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|-----------------|----------------------------------|
| REPAIRS AND MAINTENANCE | | | | SCHEDULE 8 (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| | Repairs and Maintenance to | | | |
| | Plant and Machinery | 74.100 | 24506782 | 16739982 |
| | Transformers | 74.101 | 31387170 | 41056919 |
| | Substation maintenance by Pvt.agencies | 74.150 | 3091645 | 5641265 |
| | Buildings | 74.200 | 654525 | 248340 |
| | Civil Works | 74.300 | 2000 | 35632 |
| | Hydraulic Works | 74.400 | | |
| | Lines, Cable net work etc. | 74.500 | 34312092 | 25379321 |
| | Vehicles | 74.600 | 2545055 | 3162600 |
| | Furniture and Fixtures | 74.700 | 34242 | 180 |
| | Office equipment | 74.800 | 288207 | 191135 |
| TOTAL: | | | 96821718 | 92455374 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|---|---------------------|-------------------|----------------------------------|
| EMPLOYEE COSTS | | | | SCHEDULE 9 (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | Salaries | 75.100 | 898277053 | 871651963 |
| 2 | Overtime | 75.200 | 0 | 0 |
| 3 | Dearness Allowance | 75.300 | 53178635 | 30424889 |
| 4 | Other Allowances | 75.400 | 106357512 | 107577358 |
| 5 | Bonus/Exgratia | 75.500 | 226957 | 613745 |
| 6 | Sub-Total | | 1058040157 | 1010267955 |
| 7 | Medical expenses Reimbursement | 75.611 | 7843344 | 6370628 |
| 8 | Leave Travel Assistance | 75.612 | 859097 | 270419 |
| 9 | Earned Leave Encashment | 75.617 & 618 | 95124398 | 78949781 |
| 10 | Payment under workmen's compensation Act | 75.629 | 2046904 | 1611187 |
| 11 | Total other staff costs(7 to 10) | | 105873743 | 87202015 |
| 12 | Medical reimbursment(Quarterly allowance) | 75.710 | 15561792 | 15429006 |
| 13 | Other welfare expenses | 75.711 to 75.76 | 1545819 | 1350708 |
| 14 | GPF Booster scheme | 75.761 | 610191 | 711500 |
| 15 | Terminal benefits | 75.800 | 118245439 | 114136267 |
| 16 | V.R.S.Benefits | 75.650 | 0 | 0 |
| TOTAL: | | | 1299877141 | 1229097451 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|-------------------------|------------------|--------------------|
| ADMINISTRATION AND GENERAL EXPENSES | | | | SCHEDULE 10 |
| | | | | (In Rupees) |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1(a) | Rent, Rates and Taxes | 76.101 & 76.102 | 30995985 | 99578647 |
| 1(b) | Licence Fee - APERC | 76.103 | 6000000 | 6000000 |
| 2 | Insurance | 76.104 to 76.107 | 986347 | 393092 |
| 3 | Telephone charges, Postage, Telegram & Telex charges | 76.111 to 76.113 | 17025839 | 14201335 |
| 4 | Legal charges | 76.121 | 616797 | 614518 |
| 5 | Audit fees | 76.122 | 307800 | 291600 |
| 6 | Consultancy charges | 76.123 | 1071111 | 0 |
| 7 | Technical fees | 76.124 | 504630 | 3900 |
| 8 | Other professional charges | 76.125 | 93711397 | 55541717 |
| | Honarorium | 76.126 | 548951 | 438438 |
| 9 | Conveyance expenses | 76.131 | 1345494 | 1317310 |
| | Travelling expenses | 76.132 | 36989852 | 35228814 |
| | Vehcile running exp.(Cars,Jeeps,Etc.) | 76.136 | 2806627 | 2295324 |
| | Vehcile hire charges | 76.139 | 17646265 | 13789073 |
| 10 | <u>Other expenses</u> | 76.150 to 76.190 | | |
| | Training and participation | 76.150 | 587205 | 115200 |
| | Fees&Subscription | 76.151 | 96700 | 759028 |
| | Books&periodicals | 76.152 | 176209 | 303561 |
| | Printing & Stationary | 76.153 | 7480946 | 8680136 |
| | Advertisement | 76.155 | 5589944 | 7284763 |
| | Contributions | - | 0 | 0 |
| | Electricity charges | 76.158 | 15235983 | 17405384 |
| | Water charges | 76.160 | 182578 | 223501 |
| | Entertainment | 76.162 | 154199 | 15343 |
| | Misc.Expenses | 76.190 | 18879908 | 12309772 |
| | Preliminary Expenses written off | 76.190 | 195700 | 195700 |
| 11 | Payment Electricity workers panchayat | 76.191 | 142770 | 2848270 |
| 12 | Expenses towards prajasadassu | 76.192 | 0 | 2465 |
| 13 | Sub-total of other expenses | | 48722142 | 50143123 |
| 14 | Freight | 76.210 to 76.222 | 0 | 0 |
| 15 | Other purchase related expenses | 76.230 to 299 | 7866000 | 7730245 |
| 16 | Total freight and other purchase related expenses | 76.200 | 7866000 | 7730245 |
| TOTAL: | | | 267145237 | 287567136 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|--------------------|------------------|
| DEPRECIATION AND RELATED DEBITS(NET) | | | SCHEDULE 11 | |
| | | | (In Rupees) | |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | Depreciation | 77.100 & 77.200 | 628126565 | 532244844 |
| 2 | Assets Decommissioning cost | 77.500 | | |
| 3 | Small & Low value items written off | 77.600 | | |
| 4 | Sub-total | | | |
| 5 | Written down value of assets scrapped | 77.710 | | |
| 6 | Write off of deficits of fixed assets observed upon physical verification | 77.720 | | |
| 7 | Loss on sale of fixed assets | 77.730 | | |
| 8 | Total 5 to 7 | | | |
| 9 | Total debits(4 to 8) | | | |
| 10 | Less: Gain on sale of Assets(Excluding capital gains transferred to Capital reserve) | 62.400.00 | | |
| | TOTAL: | | 628126565 | 532244844 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

INTEREST AND FINANCE CHARGES

SCHEDULE 12
(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|--|---------------|-----------|-----------|
| 1 | Interest on State Government loans | 78.100 | 91121435 | 63124934 |
| 2 | Interest on Bonds | 78.200 | | |
| | Interest on Bonds(2004) | 78.201 | | |
| 3 | Interest on Debentures | 78.300 | | |
| 4 | Interest on Foreign currency loans/credits | 78.400 | | |
| 5 | <u>Voluntary Loan Contribution</u> | 78.500 | | |
| | L.I.C | 78.501 | | |
| | R.E.C | 78.504 | 374797676 | 293323811 |
| | AP.COB | 78.505 | | |
| | R.E.C.(S.P.A) | 78.506 | | |
| | Osmania University | 78.508 | | |
| | I.D.B.I | 78.509 | | |
| | C.E.A | 78.510 | | |
| | P.F.C | 78.511 | 1915171 | 2394900 |
| | I.C.I.C.I | 78.513 | | |
| | Intercompany Funds | 78.514 | | |
| | S.I.D.B.I | 78.520 | | |
| | H.D.F.C | 78.525 | | |
| | B.H.E.L | 78.530 | | |
| | General Insurance Corporation | 78.535 | | |
| | Oriental Insurance company | 78.536 | | |
| | National Insurance company | 78.537 | | |
| | New india Assurance Company | 78.538 | | |
| | United India Insurance Company | 78.539 | | |
| | Unit Trust of India | 78.540 | | |
| | Peerless Gen. Fin. & Inv. | 78.542 | | |
| | Global Trust Bank Ltd. | 78.543 | | |
| | Vysya Bank Limited | 78.544 | | |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

INTEREST AND FINANCE CHARGES

SCHEDULE 12 Cont.

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|--|------------------|------------------|------------------|
| 6 | Penal interest in respect of Capital liabilities | 78.591 to 78.599 | | |
| 7 | Interest to Consumers | 78.600 | 78832520 | 70898743 |
| 8 | Total interest on Capital liabilities | | | |
| 9 | Interest on Borrowings for working capital | 78.700 | | |
| 10 | Other interest and Finance charges | 78.512 & 78.513 | 560058 | 3056660 |
| 11 | Discount to consumers for timely payment of bills | 78.820 to 78.839 | 111870308 | 64760114 |
| 12 | Interest to suppliers/contractors | 78.840 to 78.842 | | |
| 13 | Interest on fixed deposits | 78.850 | | |
| 14 | Interest on Contributory Provident Fund | 78.851 | | |
| 15 | Interest on General Provident Fund | 78.852 | 24574 | 0 |
| 16 | Other Interest(other sub-accounts) | 78.853 to 78.859 | 5175672 | 4512146 |
| 17 | Cost of raising Finance (Guarantee commission) | 78.860 to 78.868 | 3929165 | 49375434 |
| 18 | Lease rentals on lease finance | 78.868 | | |
| 19 | Other charges | 78.881 to 78.889 | 7828821 | 2651425 |
| 20 | Interest on sums paid by State Government under Guarantees | 78.890 | | |
| 21 | TOTAL: | | 676055400 | 554098167 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

INTEREST AND FINANCE CHARGES CAPITALISED

SCHEDULE 13
(In Rupees)

| Particulars | |
|-----------------------|-----------|
| This Year 2003 - 2004 | 207683353 |
| Previous Year 2002-03 | 248355625 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

OTHER EXPENSES CAPITALISED

SCHEDULE 14
(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------------|---|--------------|------------------|------------------|
| 1 | Capitalisation of cost of Generation during trial stage | 71.900 | | |
| 2 | R&M Expenses capitalised | 74.900 | | |
| 3 | Employee costs capitalised | 75.900 | 327601932 | 258420119 |
| 4 | Administration & General expenses capitalised | 76.900 | 0 | |
| 5 | Depreciation and related costs capitalised | 77.900 | | |
| TOTAL: | | | 327601932 | 258420119 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

OTHER DEBITS

SCHEDULE 15

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------------|--|--------------|-----------------|-----------------|
| 1 | Materials cost variance | 79.100 | | |
| 2 | Research and Development Expenses | 79.200 | | |
| 3 | Cost of Trading Manufacturing Activities | 79.300 | | |
| 4 | Waival of Surcharge | 79.400 | 0 | 88188 |
| 5 | Miscellaneous losses and write-offs | 79.500 | 6997039 | 3313916 |
| 6 | Sundry Expenses | 79.700 | 60732240 | 63449452 |
| TOTAL: | | | 67729279 | 66851556 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

EXTRAORDINARY ITEMS

SCHEDULE 16

(In Rupees)

'Extraordinary items are defined as "Those items which arise from events or transactions outside the ordinary activities of the company and which are both material and expected not to recur frequently or regularly. They do not include items which though exceptional in terms of amount and occurrence (and which may therefore require separate disclosure) arise from the events or transactions within the ordinary activities of the company. Similarly prior period items are not extra-ordinary items merely because they relate to a prior year."

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|--|--------------------------|---------|-----------|
| 1 | Extra ordinary credits (including subsidiaries against loss on account of Flood, Fire, Cyclone etc., | 63.200(Cr) | 0 | |
| 2 | Extra Ordinary debits (Loss on account of Flood, Cyclone, Fire etc.) | 79.800(Dr) 79.800(Cr) | 644099 | (1082494) |
| 3 | Extra ordinary items (Net)(Dr) | | 644099 | (1082494) |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

PROVISION FOR INCOME TAX

SCHEDULE 17

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|----------------|--------------------------|--------------|----------------|----------------|
| | Provision for Income Tax | 46.800 | 2200000 | 4500000 |
| TOTAL : | | | 2200000 | 4500000 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

NET PRIOR PERIOD CREDITS / CHARGES

SCHEDULE 18
(In Rupees)

Prior period items are defined as those items which arise

- from retrospective change in the basis of accounting(it may be noted that retrospective changes in the basis of accounting should be avoided as far as possible).
- On correction of fundamental error in accounts of prior periods
- On account of short or excess provision made in previous years

Waiver of any liability relating to revenue expenses of past year. (Such as waiver of interest for past years by State Government in view of the company's weak financial position) would be treated as prior period income.

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|---|--------------|------------------|-----------------|
| 1 | <u>Income relating to previous year</u> | | | |
| | Fuel related Gains | 65.100 | | |
| | Receipts-prior periods | 65.200 | 0 | 19734686 |
| | Interest income-Prior period | 65.400 | | |
| | Excess provision Depreciation | 65.600 | | |
| | Excess provision interest & Fin. Charges | 65.700 | 3898334 | 1855333 |
| | Other excess provision | 65.800 (DR) | | |
| | Other income prior periods | 65.900 | 375 | 2526139 |
| | Sub Total: | | 3898709 | 24116158 |
| 2 | <u>Prior period Expenses / Losses</u> | | - | |
| | Short provision for power | 83.300 | | |
| | Fuel related losses & Expenses | | | |
| | Operating Expenses of previous year | 83.300 | (10007057) | 0 |
| | Employees cost | 83.500 | 6839860 | |
| | Depreciation under provided | | | |
| | Interest & other Fin. Charges | 83.700 | 2621908 | 4928087 |
| | Other charges | 83.800 | (4614763) | 1347386 |
| | Sub Total: | | (5160052) | 6275473 |
| 3 | <u>Net Prior Period Credits /(Charges)</u> | | | |
| | (1-2 or 2-1) as the case may be | | 9058761 | 17840685 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | | | |
|--|--------------|---------------------------------|----------------------|----------------|------------------|-----------------------------------|
| FIXED ASSETS AND PROVISION FOR DEPRECIATION | | | | | | SCHEDULE 19 (In Rupees) |
| ASSET GROUP | Account Code | GROSS BLOCK | | | | |
| | | At the end of the Previous Year | Additions | Deductions | Reclassification | At the end of the year 31-03-2004 |
| Land and Land rights | 10.100 | 13368094 | 141843 | | | 13509937 |
| Buildings | 10.200 | 126590867 | 1485127 | | | 128075994 |
| Hydraulic works | 10.300 | | 0 | | | |
| Other civil works | 10.400 | 3781863 | 1947455 | | | 5729318 |
| Plant and Machinery | 10.500 | 2988860489 | 721025555 | | | 3709886044 |
| Lines and Cable Network | 10.600 | 4996462437 | 1219840786 | | | 6216303223 |
| Vehicles | 10.700 | 19866148 | | 359745 | | 19506403 |
| Furniture and Fixtures | 10.800 | 43928110 | 16840214 | | | 60768324 |
| Sub-Total | | 8192858008 | 1961280980 | 359,745 | - | 10153779243 |
| Capital Expenditure resulting in an asset not belonging to Board | 11.100 | | | | | |
| Spare units/Service units | 11.200 | (18829137) | 16962800 | | | (1866337) |
| Capital spares at Generating stations | 11.300 | | | | | |
| Assets taken over from Licensees pending final valuation | 11.500 | | | | | |
| TOTAL | | 8174028871 | 1,978,243,780 | 359,745 | - | 10151912906 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | | | |
|---|----------------------------------|---------------------------------|-------------------------|--|-------------------------------|--|
| FIXED ASSETS AND PROVISION FOR DEPRECIATION | | | | | SCHEDULE 19 | |
| | | | | | (In Rupees) | |
| PROVISION FOR DEPRECIATION | | | | | NET BLOCK | |
| At the end of the Previous Year | Depreciation for the year | Adjustments / Deductions | Reclassification | At the end of the year as on 31-03-2004 | At the end of the year | At the end of the Previous Year |
| - | | | | - | 13509937 | 13368094 |
| 57986050 | 3823044 | | | 61809094 | 66266900 | 68604817 |
| 5636 | 114212 | | | 119848 | 5609470 | 3776227 |
| 1231540359 | 234326662 | | | 1465867021 | 2244019023 | 1757320130 |
| 2634238583 | 384227961 | | | 3018466544 | 3197836679 | 2362223854 |
| 18342329 | | 322771 | | 18018558 | 1487845 | 1523819 |
| 25478236 | 5609620 | | | 31087856 | 29680468 | 18449874 |
| 3967591193 | 628,101,499 | 323,771 | - | 4595368921 | 5558410322 | 4225266815 |
| | | | | | (1866337) | (18829137) |
| 3967591193 | 628,101,499 | 323,771 | - | 4595368921 | 5556543985 | 4206437678 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

CAPITAL EXPENDITURE IN PROGRESS

SCHEDULE 21

(In Rupees)

| Sl. | Particulars | Account Code | 2003-04 | 2002-03 |
|------------|--|---------------------|-------------------|-------------------|
| 1 | Capital work-in-progress | 14.000 | 2355257063 | 1941964146 |
| 2 | Contracts-in-progress | 15.100 | | |
| 3 | Sub-Total | | | |
| 4 | Revenue Expenses pending allocation over capital works | 15.200 | | |
| 5 | Provision for completed works | 15.500 | | |
| 6 | Construction facilities (Less provision for depreciation) | 15.600 | | |
| 7 | Assets at construction stage(3 to 6) | | | |
| 8 | Advances for suppliers/Contractors(Capital) | 22.100 to 25.900 | | |
| 9 | TOTAL | | 2355257063 | 1941964146 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | | | | | |
|--|------------------------------------|-------------------------------------|---|--------------|---|---------------------------|----------------------------|---------------------------------|
| ASSETS NOT IN USE | | | | | | | | |
| SCHEDULE 22 (In Rupees) | | | | | | | | |
| Balance at the beginning of the previous year | Additions during the previous year | Deductions during the previous year | Asset Group | Account Code | Balance at the end of the previous year | Additions during the year | Deductions during the year | Balance at the end of this year |
| | | | Written down value of Obsolete, Scrapped Assets | 16.1 | | | | |
| | | | Land and rights | 16.2 | | | | |
| | | | Buildings | 16.3 | | | | |
| | | | Hydraulic works | 16.4 | | | | |
| | | | Other civil works | 16.5 | | | | |
| | | | Plant and Machinery | 16.6 | | | | |
| | | | Lines and Cable net work | 16.7 | | 13000 | | 13000 |
| | | | Vehicles | 16.8 | | | | |
| | | | Furniture & Fixtures | 16.9 | | | | |
| | | | Office equipment | | | | | |
| 0 | 0 | 0 | Total Guaranteed Loans : | | 0 | 13000 | 0 | 13000 |
| | | | Payments to acquire right to receive power from other bodies | | | | | |
| 1761300 | | 195700 | Expenses for forming and organising the Company | | 1565600 | | 195700 | 1369900 |
| | | | TOTAL | | | | | |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

INVESTMENTS

SCHEDULE 25

| Balance at the beginning of the previous Year | Further investments during the previous year | Investments realised during the previous year | Investments |
|---|--|---|---|
| | Rs. | Rs. | Rs. |
| | | | Investments against funds |
| | | | Sub-total |
| | | | 2. Investments other than fund investments |
| | | | I.D.B.I. Bonds |
| | | | Sub-total |
| | | | 3. Investments in subsidiaries |
| | | | Sub-total |
| | | | 4. Investments in partnership/ joint ventures |
| | | | Equity in G.V.K Industries |
| | | | Share capital in APGPCL |
| | | | Share capital in RESCOs |
| | | | Sub-total |
| | | | |
| Grand Total | | | |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

INVESTMENTS

SCHEDULE 25

(In Rupees)

| Account Code | O.B. as on 01-04-2003 | Further investments during the year 2003-04 | 2003-2004 | Details of Investment certificates pledged or given as a security deposit |
|--|--------------------------|---|------------|--|
| | Rs. | Rs. | Rs. | Rs. |
| 20.100 Each sub-account seperately | | 14,991,027 | 14,991,027 | |
| | - | 14,991,027 | 14,991,027 | |
| 20.200 Each sub- account seperately | | | | |
| 20.295 | | | | |
| | 0 | 0 | 0 | |
| 20.300 Each sub- account seperately | | | | |
| | | | | |
| 20.400 Each sub- account seperately | | | | |
| 20.405 | | | | |
| 20.410 | 1110000 | 906,600 | 2,016,600 | |
| | 1110000 | 906600 | 2016600 | |
| | | | | |
| | | | | |
| | 1,110,000 | 15,897,627 | 17,007,627 | |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

TOTAL CURRENT ASSETS

SCHEDULE 26

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|-------------------------------------|--------------|-------------------|-------------------|
| 1 | Stocks | 26(a) | 260714405 | 322621995 |
| 2 | Receivables against supply of power | 26(b) | 3144310081 | 2623678504 |
| 3 | Cash and Bank Balances | 26(c) | 491580582 | 199139649 |
| 4 | Loans and advances | 26(d) | 91296758 | 86007840 |
| 5 | Sundry Receivables | 26(e) | 1360085273 | 782369709 |
| 6 | TOTAL | | 5347987099 | 4013817697 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

STOCKS

SCHEDULE 26(a)

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|----------------|---|--------------------|------------------|------------------|
| 1 | Fuel stocks | 21.101 | | |
| | | 21.105 | | |
| | | 21.108 | | |
| 2 | Coal in Transit | 21.121 | | |
| 3 | Oil in Transit | 21.125 | | |
| 4 | Stock of materials at construction stores | 22.600 & 22.610 | | |
| 5 | Stock of materials at other stores | 22.500 & 22.620 | 361332052 | 410534370 |
| | | 22.630 | | |
| 6 | Materials at site | 22.640 | 5433060 | 4868377 |
| | | 22.650 | | |
| 7 | Materials pending inspection | 22.660 & 22.670 | (5686258) | (1530641) |
| 8 | Materials in transit | 22.680 & 22.690 | 6643629 | 23821062 |
| 9 | Other Materials Accounts | 22.700 | 31085750 | 20652105 |
| 10 | Fuel stock excess/shortages pending investigation | 21.200 | | |
| 11 | Materials stock excess/shortage pending investigation | 22.800 | 374086 | 387270 |
| 12 | Provision for recovery/write off of cost of materials | 22.900 | (138467914) | (136110548) |
| TOTAL : | | | 260714405 | 322621995 |



| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|--------------------------------------|-------------------|
| RECEIVABLES AGAINST SUPPLY OF POWER | | | SCHEDULE 26(b) (In Rupees) | |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | Sundry Debtors for sale of power | 23.100 | 1508792815 | 1051424580 |
| 2 | Sundry Debtors for inter-State sale of power | 23.600 | | |
| 3 | Sundry Debtors for Electricity Duty | 23.200 | 15253141 | 9396054 |
| 4 | Provision for unbilled Revenue Accrued revenue-Generation | 23.400 | 2093720566 | 2032922607 |
| 5 | Dues from Permanently disconnected consumer (net of security deposits forfeited) | 23.500 | 0 | |
| 6 | Sundry Debtors - Miscellaneous Receipts from consumers | 23.700 | (1084507) | (1084507) |
| | Sub-Total: | | 3616682015 | 3092658734 |
| 7 | Less: Provision for doubtful dues from consumers | 23.900 | 472371934 | 468980230 |
| TOTAL: | | | 3144310081 | 2623678504 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

CASH AND BANK BALANCES

SCHEDULE 26(c)

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------------|--------------------------|--------------|------------------|------------------|
| 1 | Cash on hand | 24.100 | 10447367 | 7778737 |
| 2 | Cash Imprests with staff | 24.200 | 1052207 | 1052207 |
| 3 | Balance with Banks | 24.300& | 383272094 | 161047985 |
| | | 24.400 | | |
| 4 | Cash in Transit | 24.500& | 96808914 | 29260720 |
| | | 24.600 | | |
| TOTAL: | | | 491580582 | 199139649 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

LOANS AND ADVANCES

SCHEDULE 26(d)

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|--|------------------|-----------------|-----------------|
| 1 | Advances for O&M supplies/works | 25.100 to 26.700 | 76485758 | 80009403 |
| 2 | Advances for Fuel supplies | 26.800 | | |
| 3 | Sub total | | | |
| 4 | Loans and Advances to staff | 27.100 & 27.200 | 6420068 | 4744791 |
| 5 | Loans and Advances to Licensees | 27.300 | 162 | 162 |
| 6 | Advance Income Tax Deduction at source | 27.400 | 8369129 | 1231843 |
| 7 | Loans and Advances - Others | 27.800 | 21641 | 21641 |
| 8 | TOTAL | | 91296758 | 86007840 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

SUNDRY RECEIVABLES

SCHEDULE 26(e)

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|---------|---|---------------------------------|-------------------|------------------|
| 1 | Sundry Debtors-Trading Account | 28.100 | 2547544 | 18217211 |
| 2 | Income accrued and due on investments | 28.210 to 28.270 | 15063278 | 201858222 |
| 3 | Other Income accrued and due | 28.290 | 70935 | |
| | Income accrued but not due | 28.300 | | |
| 4 | Amount recoverable from employees/ Ex-employees | 28.400 | 203037295 | 87964372 |
| 5 | Fuel related receivables and claims | | | |
| | Grade difference of Coal(Net of provision for loss on grade difference) | 28.511 & 28.512 | | |
| | Railway claims for Coal | 28.513 & 28.514 | | |
| | Others | (other sub-accounts under 28.5) | | |
| 6 | Other Claims and Receivables | 28.700 & 28.800 | | |
| | Amount receivable from APGovt. | 28.880 | 130166799 | 127179203 |
| 7 | Other claims under inter unit accounts | 30 to 39 | (668215) | (471577) |
| 8 | Deposits | 28.900 | 1009867637 | 347622278 |
| 9 | Deposits with PFC-ESCREW | 28.920 | | |
| 10 | TOTAL | | 1360085273 | 782369709 |
| | Less: Reserve | 28.865 | | |
| | TOTAL | | 1360085273 | 782369709 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

SECURITY DEPOSITS FROM CUSTOMERS

SCHEDULE 27

(In Rupees)

| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
|----------------|---|---------------------|-------------------|-------------------|
| 1 | Security Deposits from consumers (in cash) | 48.100 | 2793796928 | 2548697432 |
| 2 | Security Deposits from consumers (other than in cash) | 48.200 | | |
| 3 | Interest payable on consumer's deposits | 48.300 | 73020574 | 69594294 |
| TOTAL: | | | 2866817502 | 2618291726 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|---------------------|--------------------|-------------------|
| OTHER CURRENT LIABILITIES | | | SCHEDULE 28 | |
| | | | (In Rupees) | |
| Sl. No. | Particulars | Account Code | 2003-04 | 2002-03 |
| 1 | Liabilities to Railways for coal receipts | 40.100 | | |
| 2 | Liability on account of grade differences of coal | 40.200 | | |
| 3 | Unpaid coal bills | 40.400 | | |
| | | 40.700 | | |
| 4 | Other fuel related liabilities | 40.600 | | |
| 5 | A.P.Transco | 41.100& | 1109539160 | (6214219) |
| | | 41.200 | | |
| | Power purchase - Generation | | | |
| 6 | Liability for capital supplies/works | 42.1 to | 246066569 | 228354520 |
| | | 42.300 | | |
| 7 | Liability for O&M supplies/Works | 43.1 to | 59207641 | 121976273 |
| | | 43.300 | | |
| 8 | Liability towards Prajalavaddaku palana | 43.350 | | |
| 9 | Liability towards transformers(OYT) | 43.400 | | |
| 10 | Staff related liabilities and provisions | 44.1 to | 152824807 | 95820666 |
| | | 44.400 | | |
| 11 | Deposits and retentions from suppliers and contractors | 46.100 | 360023126 | 202414936 |
| | Deposits-APEPDCL(Revenue) | 46.200 | | |
| 12 | Electricity Duty and other levies payable to Govt. | 46.300 | 87822 | 87822 |
| 13 | Liability for expenses | 46.400 | 57313129 | 77258623 |
| 14 | Other liabilities APEPDCL | 46.500 | | |
| 15 | Accrued liability amounts relating to borrowings. | 46.700 | 18979207 | 58868367 |
| 16 | Provision for income-tax | 46.800 | 7469376 | 8505389 |
| 17 | Other liabilities and provisions | 46.900 | 78651676 | 72885964 |
| | Un-issued cheques | 46.931 | | |
| 18 | Sub-total | | 2090162513 | 859958341 |
| 19 | Deposits for electrification, service connection etc. | 47.000 | 238624019 | 179629811 |
| 20 | Liability towards Kutir Jyoti Scheme. | 47.350 | 104643543 | 33869851 |
| TOTAL: | | | 2433430075 | 1073458003 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

PAYMENT DUE ON CAPITAL LIABILITIES

SCHEDULE 31

(In Rupees)

| Due at the beginning of the previous year | Amt. received during the previous year | Payments made during the previous year | Particulars |
|---|--|--|--|
| Rs. | Rs. | Rs. | |
| 435594700 | 323152497 | 29000000 | <p>REPAYMENTS DUE</p> <p>1. Guaranteed</p> <p>APSEB Board Bonds Loan from REC Ltd Banks under SPA Schemes Loan from APCO Bank Ltd. Loans from P.F.C.Ltd., Loan from LIC(33rd Loan) Loan from Gen.Insur.Co. Loan from Oriental Insr. Loan from National Insur. Loan from New India Assur. Loan from United India Ins.. Loan from Unit Trust Loan from Peerless</p> <p>2. LOANS NOT GUARANTEED :</p> <p>Loans from Consumers and Others(VLC) Loans from L.I.C.of India Loans from I.D.B.I Loans from I.C.I.C.I Loan from Global Trust Bank BHEL Deferred Credit Loan-Land Mortgage Bank Loan from Agrl. Consumers Loan from Vysya bank</p> <p>Loans from government of Andhra Pradesh Loan from HDFC</p> <p>Total repayments Due</p> <p>3. INTEREST ACCRUED AND DUE</p> <p>On Capital Liabilities State Government On Other Capital Liabilities</p> <p>Total Interest accrued and due</p> |
| 435594700 | 323152497 | 29000000 | 4.TOTAL |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | | | |
|---|--|--|--|--|
| PAYMENT DUE ON CAPITAL LIABILITIES | | | | SCHEDULE 31 (In Rupees) |
| Account Code | Due at the beginning of the 2003-04 | Amt. received during the year 2003-04 | Payments made during the year 2003-04 | Outstanding at the end of the year 31-03-2004 |
| | Rs. | Rs. | Rs. | Rs. |
| 51.101 | | | | |
| 51.102 | | | | |
| 51.110 | | | | |
| 51.103 | | | | |
| 51.104 | | | | |
| 51.106 | | | | |
| 51.135 | | | | |
| 51.136 | | | | |
| 51.137 | | | | |
| 51.138 | | | | |
| 51.139 | | | | |
| 51.140 | | | | |
| 51.142 | | | | |
| 51.105 | | | | |
| 51.106 | | | | |
| 51.107 | | | | |
| 51.114 | | | | |
| 51.111 | | | | |
| 51.143 | | | | |
| 51.130 | | | | |
| 51.611 | | | | |
| 51.144 | 729747197 | 265,160,512 | 514,008,095 | 480899614 |
| 51.124 | | | | |
| 51.201 to 51.219 | | | | |
| | 729747197 | 265,160,512 | 514,008,095 | 480899614 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

CAPITAL LIABILITIES

SCHEDULE 32

(In Rupees)

| Outstanding at the beginning of the Previous year | Amount Received during the previous year | Repayments due during the previous year | Particulars |
|---|--|---|--|
| | | | 1 GUARANTEED I) APSEB Bonds 1997(1st series) ii) APSEB Bonds 1997(2nd series) iii) APSEB Bonds 2000 iv) APSEB Bonds 1999 v) APSEB Bonds 1998(1st series) vi) APSEB Bonds 1998(2nd series) vii) APSEB Bonds 2002 viii) APSEB Bonds 2008 ix) APSEB Bonds 2009 x) APSEB Bonds 2004 |
| | | | Sub-Total(Bonds) : |
| <div style="text-align: right;">1882944960</div> <div style="text-align: right; margin-top: 10px;">16563635</div> | <div style="text-align: right;">1603166700</div> | <div style="text-align: right;">343688454</div> <div style="text-align: right; margin-top: 10px;">3011570</div> | xi) Loan from LIC(33rd) xii) Loan from Osmania University xiii) Loan from REC Ltd and Banks under SPA Schemes xiv) Loan from APCO Bank Ltd. xv) Loan from PFC Ltd xvi) Loan from General Insurance xvii) Loan from Oriental Insurance xviii) Loan from National Insurance xix) Loan from New India Assurance xx) Loan from United India Insurance xxi) Loan from Unit Trust of India Loan from Peerless General xxii) Finance & Investment Co. Long term-Pension Bonds Long term - Provident fund Bonds |
| 1899508595 | 1603166700 | 346700024 | Total Guaranteed Loans : |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

CAPITAL LIABILITIES

SCHEDULE 32

(In Rupees)

| Details of interest rate, moratorium and rate applicable at the end of the year | Account Code | OB as on 01-04-2003 | Amount received during the year | Repayments made during the year | Outstanding at the end of the year 31-03-2004 |
|---|--------------|---------------------|---------------------------------|---------------------------------|---|
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.110 | | | | |
| | 52.111 | | | | |
| | | | | | |
| | 52.501 | | | | |
| | 52.100 | | | | |
| | 53.301 | 3142423206 | 1793291729 | 512910989 | 4422803946 |
| | 53.305 | | | | |
| | 53.304 | | | | |
| | 53.710 | 13552065 | 0 | 3011571 | 10540494 |
| | 53.735 | | | | |
| | 53.736 | | | | |
| | 53.737 | | | | |
| | 53.738 | | | | |
| | 53.739 | | | | |
| | 53.740 | | | | |
| | 53.742 | | | | |
| | | | | | |
| | | 3155975271 | 1793291729 | 515922560 | 4433344440 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

FUNDS FROM STATE GOVERNMENT

SCHEDULE 33

(In Rupees)

| Outstanding at the beginning of the Previous year | Amount Received during the previous year | Payments made during the previous year | Particulars |
|---|--|--|--|
| Rs. | Rs. | Rs. | Loans advanced by Government under section 64 of Electricity (supply) Act (after formation of Board on 01-04-1959) |
| | | | SUB TOTAL |
| 760000000 | 0 | 0 | Authorised capital 7,60,00,000 equity shares of Rs. 10 each. |
| 756638290 | | | Issued subscribed and paid-up capital 7,56,63,829 equity shares of Rs. 10 each |
| | | | TOTAL |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

| FUNDS FROM STATE GOVERNMENT | | | | | SCHEDULE 33 (In Rupees) |
|--|--------------|---|------------------------------------|--------------------------------------|---|
| Details of interest rate, moratorium and rate applicable at the end of the year | Account Code | Outstanding at the end of Previous year | Amount received during the year | Repayments due during the year | Outstanding at the end of the year 2003-04 |
| 4.75% to 14% | 54.200 | Rs. | Rs. | Rs. | Rs. |
| | | | | | |
| | | 760000000 | | | 760000000 |
| | | 756638290 | | | 756638290 |
| | | 756638290 | | | 756638290 |

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED CONTRIBUTIONS, GRANTS AND SUBSIDIES TOWARDS COST OF CAPITAL ASSETS | | | SCHEDULE 34 (In Rupees) |
|--|--|---|--|
| Balance at the beginning of the Previous year | Amount Received during the previous year | Particulars | |
| Rs. 1289569893 | Rs. 492282896 | 1. Consumers Contribution | |
| 1289569893 | 492282896 | Total Consumers Contribution | |
| 846794 | 0 | 2. Subsidies towards cost of Capital Assets | |
| | 109968000 | 3. Grants towards cost of Capital Assets | |
| 1290416687 | 602250896 | TOTAL | |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED**E/D****CONTRIBUTIONS, GRANTS AND SUBSIDIES
TOWARDS COST OF CAPITAL ASSETS****SCHEDULE 34****(In Rupees)**

| Account Code | OB as on 01-04-2003 | Additions during the year | Total at the end of the year 31-03-2004 |
|---------------------|--------------------------------|--|--|
| | Rs. | Rs. | Rs. |
| 55.100 | 1781852789 | 512743674 | 2294596463 |
| | 1781852789 | 512743674 | 2294596463 |
| 55.200 | 846794 | 0 | 846794 |
| 55.300 | 109968000 | 1414 67500 | 251435500 |
| | 1892667583 | 654211174 | 2546878757 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

RESERVE AND RESERVE FUNDS

SCHEDULE 35

(In Rupees)

| Balance at the beginning of the previous year | Additions during the Previous year | Deductions during the previous year | Particulars | |
|---|------------------------------------|-------------------------------------|-------------|---|
| | | | 1 | RESERVE |
| 0 | 16044277 | 0 | 1 | Capital Reserve (Contingency res.) |
| 0 | 250921009 | 622819190 | 2 | Other Reserves and Reserve funds (PF, P&G Trusts balance) |
| | | | 3 | Exchange variance reserve |
| (53515478) | 749700705 | 696185227 | 4 | General Providend Fund |
| | | | 5 | G.P.G. Impounded DA |
| | | | 6 | E.D.P.F |
| (317032) | 573989 | 256957 | 7 | F.B.F |
| 3351066 | 6258239 | 9609305 | 8 | Group Insurance - Savings Fund |
| (374086) | 7321623 | 12568637 | 9 | Group Insurance-Insurance Fund |
| (60135056) | 1253954546 | 786295683 | 10 | Pension/Gratuity Fund |
| -110990586 | 2284774388 | 2127734999 | | TOTAL |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

Corporate Office :: Dabagardens :: Visakhapatnam

Year – 2003-2004

ACCOUNTING PRINCIPLES AND POLICIES

1.BASIC ACCOUNTING PRINCIPLES

1.1 The basic accounting principles laid down in the following paragraphs are followed in the preparation of its Annual Accounts of the company.

ENTITY OF THE COMPANY FOR THE PURPOSE OF ANNUAL ACCOUNTS.

1.2 Annual Accounts of the Company reflect the transactions of the Company.

1.3 Interest acquired by the Company in any body corporate whose transactions do not require incorporation into a Company's accounts are disclosed at cost, in Company's accounts as investments. In such cases the excess or shortfall of Company's share of the net assets of the body over the cost of acquiring the interest in that body are disclosed in the Company's accounts by way of a note.

HISTORICAL COST CONVENTION

1.4 In Company's accounts, Assets, Liabilities, Expenses and Revenue are recorded at the amounts at which the transactions took place. This policy implies that no revaluation of assets liabilities are done for adjusting them to replacement cost, current cost etc.

GOING CONCERN CONCEPT

1.5 Financial statements of the Company are drawn up on the premise that its business will continue indefinitely.

CONSISTENCY CONCEPT

1.6 Uniform accounting policies are applied on the same basis from year to year. Even the accounting policies followed in respect of areas not specifically covered here after or in cases where departure from the prescribed accounting policy is permitted, are followed consistently from year to year.

TRUE AND FAIR PRESENTATION

1.7 Accounts of the Company presents a true and fair view of the financial position and results of operations of the Company. True and fair view implies the disclosure of all information necessary for a reader's understanding of the financial position and results of operations of the Company.

1.8 The objective of prescribing the forms of annual accounts of the Company is to prescribe the minimum and uniform disclosure required. Additional information in the accounts or by way of notes are given where it is necessary to ensure true and fair presentation.

ACCRUAL BASIS OF ACCOUNTING.

The Company follows commercial accounting system, which requires recording of transactions by which revenues, costs, assets and liabilities are reflected in the accounts for the period in which they accrue.

COMPARATIVE FIGURES FOR PREVIOUS YEAR

1.9 Comparative figures for the previous year are given in the annual Accounts. No regrouping of previous year's figures are made except in Cases where a different basis for the figures for the same item has been adopted during the current year.

RESERVES NOT TO ABSORB CHARGE AGAINST REVENUE

1.10 Reserves of a Company whether created out of appropriation from surplus of past years or in any other manner shall not used (except in prescribed circumstances) for absorbing the costs which would otherwise be a charge against the revenue of the current year, past years or future years.

REVENUES NOT TO BE DIRECTLY CREDITED TO RESERVES

1.11 No reserves are given any credit for any amount, which should otherwise are treated as revenue for the current year, past years or future years.

OFFSETTING OF ASSETS AND LIABILITIES

1.12 In the balance sheet of the Company, assets and liabilities are set off against each other only when a legal right of offset exists. Payables to one party are therefore not set off against receivables from the same-party unless the Company has a legal right to offset the two.

EVENTS OCCURING AFTER THE BALANCE SHEET DATE.

1.13 All events or transactions occurring after the edit

of balance sheet and before the date of the auditors report are treated in the following manner.

- 1) Two types of subsequent events and transactions require consideration by the Company.
- 2) The first type consists of those events that provide additional evidence with respect to the conditions that existed at the date of the balance sheet and affect the estimates necessary for accrual etc. in the process of preparing annual accounts. All information that becomes available prior to the finalisation of the annual accounts should be used in evaluating the conditions on which the estimates were based. The annual accounts are adjusted for any charges in estimates resulting from the use of such evidence. Identifying the events that require adjustment in accounts calls for the exercise of judgment and knowledge of the facts for example, a loss on an uncollectable receivable as a result of a consumer's deteriorating financial condition leading to bankruptcy subsequent to the balance sheet date would be indicative of his poor financial condition existing at the balance sheet date, thereby calling for adjustment of the accounts. On the other hand a similar loss resulting from a consumer's major casualty such as a fire or flood subsequent to the balance sheet date would not be indicative of conditions existing in respect of the consumer at the balance sheet date and adjustment would not be called for.
- 3) The second type consists of events that provide evidence with respect to conditions that did not exist at the balance sheet date but arose subsequent to that date. These events should not result in adjustment of the accounts. Some of these events however, may be of such a nature that the omission of their disclosure may result in misleading statements. Examples of this type of event (which should not result in adjustment to accounts but which do require disclosure) are takeover of a license, loss from fire, flood etc.

NO DIFFERMENT OF LOSS WRITE OFF

1.14 The Revenue Account for a Company shall reflect full amount of the loss, if any, to the Company due to any natural calamities like cyclone, flood, etc, on recurring events like fire or possibly recurring events like receipt of inferior grade of coal. No part of the loss are deferred for write off over future years.

3% RETURN AND THE TREATMENT OF UNUSUAL AND EXTRA-ORDINARY GAINS AND LOSSES AND PRIOR YEAR INCOME AND EXPENSES

1.19 The a Company 's Revenue Account, all unusual and extraordinary losses or gains and prior periods

income and expenses are disclosed separately. However, for the purpose of compliance with Section 59 requiring minimum surplus of 3% on fixed assets base such unusual extraordinary losses and gains and prior period credits and charge are considered in the same way as other usual and recurring income expenses, losses or gains for the year. Such a treatment will reflect (and not conceal by ignoring such items) that the Company's operating surplus has been affected during the year on account of such items.

2.ACCOUNTING POLICIES

2.1 Transactions of the Company are accounted for in accordance with the Accounting Policies laid down herein below. The prescribed accounting policies are classified under the following sections.

- 1) Capital Expenditure and fixed Assets.
- 2) Fuel and Materials Accounting
- 3) Borrowings and Investments
- 4) Other Accounting Areas.

1.CAPITAL EXPENDITURE AND FIXED ASSETS.

Disclosure at Historical Cost and no Revaluation of Fixed Assets.

2.2 Fixed Assets of a Company are recorded in the books of account and disclosed in annual accounts at Historical Cost. This policy implies that no revaluation of fixed assets are done for adjusting them to replacement cost, current cost etc.

Expenditure on Project identification Survey and Feasibility Studies

2.3 Expenditure incurred on identification, survey and feasibility studies of a project before the project is considered for sanction or rejection, are accumulated in an account provided for the purpose. Later, if the project is rejected, the full amount of expenditure are charged to Revenue as in fructuous capital expenditure in the year in which the project is rejected. If the project is sanctioned, the expenditure are charged to capital work-in-progress account for that project. Any expenditure incurred on detailed feasibility studies etc., after a project is sanctioned shall all so be charged to the capital work-in-progress account for that project. The aggregate of the expenditure incurred before and after sanction of a project are allocated over the "tangible" assets acquired /constructed under the project, in the same manner as the revenue expenditure chargeable to capital works are to be allocated.

COST OF CAPITAL ASSETS

2.4 Cost of a capital asset shall include all 'actual Costs' incurred to prepare the asset for use subject to the exceptions and the basis of determining costs



prescribed in the following paragraphs.

Treatment of material related costs

2.5 All materials related costs recorded at an accounting unit under which only capital construction activities are carried out are charged to capital works.

2.6 At a location under which capital construction as well as O & M activities are being carried out, only the following costs are charged to works :

- 1) Inland freight on imported capital equipment.
- 2) Freight on Local Capital Equipment
- 3) Testing charges – capital equipment
- 4) Incidental Stores Expenses – Capital Equipment.
- 5) Octroi on capital Equipment.
- 6) Advertisement for tenders etc. for purchase of capital equipments.

2.7 Capital Equipments, spares and other materials imported by the Company are valued as follows for receipts and issues accounting :

| | | |
|-----|------------------------------|---------------------------|
| (1) | Cost Freight Insurance | } C.I.F.Value PLUS |
|-----|------------------------------|---------------------------|

- (2) Customs Duty

In accordance with Accounting standard.

Outside Labour /Contractor Charges

2.8 All Labour charges or contractor charges or contractor charges payable to outsiders for work done by them in respect of capital jobs are included in the cost of concerned capital assets.

Employee Costs of Company's Staff

2.9 All employee costs in respect of construction units are fully charged as cost of capital assets.

2.10 For an O&M. cum-capital unit, the procedure for accounting Employee costs are as follows :

- 1) Temporary employees-monthly payments such as salaries/wages, dearness allowance, overtime and other allowance are capitalised. Some temporary employees may be entitled to retirement benefits. Monthly contribution to Provident fund and family pension Scheme should also capitalised.
- 2) Additional emoluments (e.g., Project allowance) to O&M staff for working additionally on a capital project are recorded in a separate account on accrual and are fully capitalised.
- 3) A separate payroll are prepared for a group of permanent staff members, if any deployed

exclusively or largely on capital jobs. The costs are booked under a distinct department codes such as 'construction' or 'Project Section' etc. All monthly payments (salaries, overtime D.A. and other allowances) recorded under such departments codes are fully capitalised.

Expenses Chargeable to Capital Works

2.11 All expenses in respect of construction units are fully chargeable as cost of capital assets.

2.12 At an O&M-cum-capital location (where both capital and O&M work is being carried-out) only the following expenses are capitalised.

- 1) Insurance on assets under construction.
- 2) Legal charges and stamp fees in connection with agreements with capital suppliers contractors.
- 3) Fees payable to foreign technician for capital projects.
- 4) Expenses incurred for foreign technician for capital projects.
- 5) Technical documentation and design charges.
- 6) Other consultancy charges – Projects (which includes architectural fees).
- 7) Power consumed for construction.

No part of any other Administration and general expenses are charged to capital works.

Capitalisation to Depreciation.

2.13 Depreciation on construction facilities (earth movers, cement mixers etc.) are capitalised. Similarly, depreciation on fixed assets used for construction of other assets (e.g depreciation on building, furniture & fixtures, vehicles and office equipments at construction division or construction circles) are also be charged to capital works.

Land and Land Rights

2.14 Land cost comprise of the following :

- 1) Purchase price of land
- 2) Compensation for acquisition of land
- 3) Compensation for trees and crops on the acquired land
- 4) Legal charges stamp duty etc. incurred in order to secure effective title
- 5) Land revenue and other taxes paid during the stage of land development.
- 6) Site preparation costs such as cost of leveling hills or filling low spots cost of clearing trees etc.
- 7) Cost of demolishing an unwanted structure if the land is acquired with structure.

2.15 Cost of land improvements having a limited life such as cost of landscaping gardens, sidewalks, fences and digging for sewage system shall also be added to Cost of Land as “ Cost of Land Development”.

Buildings

2.16 In case of purchase/acquisition of a building the building costs shall include the following items:

- 1) Purchase price
- 2) Compensation for acquisition of Building
- 3) Payments to tenants to cancel their tenancy rights.
- 4) Expenses such as legal charges stamp duty etc incurred for securing an effective title
- 5) Repairs alterations and improvements to put the building in usable condition.
- 6) Architect's fees for remodeling, alterations, improvements before the building is first put to use.

2.17 Cost of a constructed building shall include the following items :

- 1) Cost of construction comprising of materials, labour, contractor charges and depreciation on construction machinery
- 2) Surveying
- 3) Cost of obtaining permits, sanctioned plans, occupation certificates from Municipal or other bodies
- 4) Architectural fees
- 5) Insurance on uncompleted structure
- 6) Cost of excavation (excavation is not a cost of land development).

Additions,improvements, Replacement & Repairs.

2.18 Expenditure on additions, improvements, replacement and repairs and maintenance are treated in accordance with the policies prescribed in the following paragraphs.

Repairs before commissioning of Assets

2.19 Any expenditure on repairs or rehabilitation of an asset purchased by the Company (whether second hand or new) incurred before commissioning the asset for putting the asset in usable condition are treated as a cost of that capital asset.

2.20 Any expenditure on restoring an asset back upto the level of output / efficiency / performance at which it was, when it was first put to use is repairs expenditure. Any expenditure on maintaining the asset upto the level of output/efficiency/performance at which it was. When it was first put to use is maintenance expenditure.

2.21 Expenditure on repairs and maintenance are charged to revenue in the year in which it is incurred.

Additions

2.22 Additions may bring into existence a new asset or increase the physical size of an asset through expansion, extension etc. All expenditure on additions are capitalised improvements.

2.23 An expenditure having the effect of extending the useful life of an asset or increasing output or capacity or efficiency of an asset or decreasing operating costs of an asset is ‘improvement’. Expenditure on improvement may involve replacement of old (e.g replacing a transformer by another transformer or higher capacity) or may not involve replacement of old (e.g. expenditure on acid resistance lining in a tank in water treatment plant). All expenditure on improvements are capitalised.

Replacement

2.24 Replacements can be defined as ‘substitution of one fixed asset by another, particularly of an old asset by a new asset, or of an old part by a new part ‘ Expenditure on m or replacements are charged to revenue a Repairs and Maintenance Expenditure. Major replacement expenditure are capitalised. However, the cost and accumulated depreciation of the old replaced asset are withdrawn when the expenditure on the new replacing asset is capitalised. A broad criterion of distinguishing minor and major are that replacement of any asset or part of the asset for which a separate fixed asset record is required are considered major replacement.

Placement Rebuilding

2.24 An asset may be rebuilt by replacement of its components over a period of time instead of at one time. The criteria fixed for ‘minor’ ‘major’ replacements shall in such cases be applied to the aggregate of expenditures on replacement in an asset and accounted for accordingly,

2.25 Any expenditure incurred on shifting asset from one place to another place are, regardless of the amount of expenditure, be charged to revenue in the year in which the expenditure is incurred. Contributions, Grants & Subsidies Towards Cost of Capital Assets

2.26 Contributions, Grants and Subsidies towards cost of Capital Assets are treated in accordance with the policies laid down in the following paragraphs.

2.27 Amount receivable as consumer's contribution, subsidy or grant towards capital assets are credited to



appropriate account set out in chart of Accounts only if the following conditions are satisfied :

1. The amount is not subject to any conditions to be fulfilled by the Company or
2. The conditions attached to the amount have been fulfilled by the Company.

2.29 Consumer's Contribution, subsidies and grants towards cost of capital assets are treated as a reduction in the 'cost but as a capital receipt to be credited to capital reserve account.

2.30 Accounting for cost of a capital are done in the normal course without considering any contribution, subsidy or grants towards the cost of the asset. Depreciation shall also be charged in the normal course on the 'full cost' of the asset.

Full Write-off of Small Value items.

2.31 Full cost of all small and low value assets each costing Rs.500 or less are fully charged to revenue in the year in which the assets are put to use. No part of the cost of such items shall therefore be included in the cost of fixed assets nor shall any depreciation be charged thereon.

2.32 The policy for full write-off stated in paragraph 2.37 above do not apply to :

1. Items of a type for which a specific classification has been prescribed for the purpose of depreciation under the Electricity (Supply) Act, 1948.
2. Items included under the classifications 'Furniture & Fixture' and Office Equipments.

2.33 All capital expenditure are accounted for through capital work-in-progress accounts. On commissioning of the assets, the expenditure are transferred to appropriate fixed assets accounts. Transfer from capital work-in-progress accounts to fixed asset accounts is referred to in this section as 'Capitalisation of Assets'. The accounting policies prescribed for capitalization of assets are laid down in the following paragraphs.

Capitalisation when Asset is first put to use.

2.34 An asset is capitalized when it is first put to use for commercial purposes.

Technical Certificate.

2.35 Commissioning of an asset is a technical matter which involves consideration of various factors such as trial, testing to ensure whether the asset is unusable condition etc. Capitalisation of assets shall therefore be done on issue of Asset commissioning certificate from the relevant Technical Authority of the Company.

Capitalisation regardless of disputes with contractors.

2.36 Mere disputes with contractors/suppliers regarding the fulfillment of the terms and conditions of contract with them shall not be permitted to withhold or defer capitalisation of assets concerned. Cost of the assets determined on the basis of the contract should be capitalized by making necessary provision for liability to contractors / suppliers acknowledged by the Company.

Rural Electrification Schemes.

2.37 Cost of assets forming basic infrastructure for an electrification scheme are capitalized, when the infrastructure is first put to use and lines are energized. The subsequent expenditure or granting service connections, are capitalized as and when each service connection is granted Capitalisation of individual service connections shall not be withheld or deferred until the targeted number of service connections granted.

Full Capitalisation of Common Facilities.

2.38 Certain asset may constitute common facilities, cost of such common facilities assets are capitalized when the assets are first put to use.

Commissioning of Transmission Lines and Sub-stations.

2.39 On commissioning of a transmissions lines, all the assets which are put to use are capitalized and the total cost of such assets are transferred from capital work-in-progress accounts to Fixed Asset Accounts. All expenses incurred before commissioning of transmission lines and sub-station are included in the cost of the assets.

Capitalisation of Spare Units / Service Units.

2.40 Assets which are to be classified as Spare Units/ Service Units in accordance with the accounting policy recommended under the section ' Other Accounting Policies' are capitalized when they are 'put into usable condition' regardless of whether they are actually used or not.

DEPRECIATION

2.41 The accounting policies relating to depreciation on fixed assets are laid down in the following paragraphs:

1. The Company charge as depreciation on the fixed assets in use in the beginning of the year (on the opening balance only), such an

amount as is required to write-off 90 percent of the cost of an asset, on a straight line method over the estimated useful life of the asset.

2. Depreciation charge on an asset shall cease from the year following the year in which.
 - o The year's depreciation along with the depreciation charged in the previous year(s) becomes equal to or more than 90 percent of the cost of the asset or
 - o The asset permanently ceases to be used by the Company.
Whichever is earlier.
3. Depreciation charge on a newly commissioned asset shall commence in the year immediately following the year of commissioning.

2.42 In respect of leasehold assets, the depreciation are charged every year are such an amount as is required to write off 100 percent (unlike 90percent for other assets) of the cost of leasehold asset, on a straight line method.

- The estimated useful life of the asset or
- Over the period of the lease
Whichever is shorter.

In considering the period of the lease, the renewal clause, if any, in the lease agreement shall be ignored.

2.43 Expenditure on development / improvement on leasehold assets are depreciated in such a way that full amount of such expenditure, can be written-off, on straight line method over

- The estimated useful life of those assets ascertained by the State Government and.
- Where no such period is ascertained by the State Government 'Half of the estimated useful life of new assets of that class' (as if half the life is expired)

2.44 Assets which are of use only collectively in a group and an individual asset in that group is of no use in isolation after the other assets of the group are retired/scrapped are defined as Assets of Common Retirement Date. The period of estimated useful life adopted for the purpose of charging depreciation shall common for all the assets in the group of 'Assets of Common Retirement Date'.

2.45 Assets used for construction are classified as under :

- 1) Construction facilities
- 2) Project Assets.
- 3) Fixed Assets.

2.46 By 'construction facilities' is meant those assets

which are intended for use on one or the other capital project.

2.47 Depreciation are charged on assets classified as construction facilities in the normal manner as it is charged on assets used for O&M except that the amount of depreciation are debited not to Depreciation Account but to 'capital WIP – Revenue Expenses Reclassified account',

2.48 Certain assets acquired / constructed as a part of a project may be used for construction of other assets of the same project. Such assets should be capitalized when they are first put to use capitalisation should not be withheld till commissioning of say power plant itself. Depreciation is not chargeable in the first year of commissioning from the subsequent year, depreciation should be charged in the normal manner. However, the depreciation so charged are reclassified and charged to cost of other assets of the project.

2.49 Fixed Assets used for construction means those assets which have been, on their commissioning, transferred to fixed assets accounts, and are now deployed on any project at construction stage.

2.50 Depreciation on such assets be charged in the normal manner. The amount of depreciation charged such assets are later reclassified and charged to capital works.

Provisional Depreciation

Retirement, Scrapping, Obsolescence and Sale of Assets.

2.51 The accounting policies relating to retirement scrapping obsolescence and sale of assets are laid down in the following paragraphs.

Cost of Retirement, Scrapping, Sale of Assets

2.52 All costs incurred on retirement scrapping and sale of assets are charged to Revenue Account in the year in which the cost are incurred Examples of such costs are :

- 1) Building/Civil Works demolition costs
- 2) Plant decommissioning costs
- 3) Site restoration
- 4) Expenses like Legal charges and stamp duty for transfer of title to the purchaser.
- 5) Fright etc. on transfer of assets to any Asset/Scrap Disposal Authority in the Company.
- 6) Expenditure on freight etc. on delivery of the solid assets/ scrap to the purchaser.



Withdrawal of cost and Depreciation

2.53 On retirement, scrapping, obsolescence of asset, the cost of the asset and the accumulated depreciation on it are withdrawn from the fixed asset base and transferred to a separate account provided for this purpose.

Loss on Scrapping of Assets

2.54 In case of scrapped asset for which no scrap / salvage value is realized, the written down value of such assets are charged off as "written down value of assets scrapped" in the Revenue Account for the year in which the scrapped assets are found unrealizable.

Gain or Loss on Sale of Assets.

2.55 Gain or loss arising on sale of capital assets are treated as a revenue item provided the realization value is lower than the original cost of acquisition. However for the sale value of capital assets where the realization value is more than the original cost of acquisition, the excess realization should be treated as a capital reserve.

2.56 The gain on sale of assets are treated as a Revenue item only to the extent of total depreciation charged on the sold asset. Gain if any in excess of the accumulated depreciation charged by the Company on the sold asset are treated as a capital gain and credited to Capital Reserve.

2.57 For the purpose of computing gain or loss on sale of an asset also the contributions, grants and subsidies towards cost of any capital asset sold shall not be reduced from the cost of the asset sold.

Date of Acquisition not known

2.58 In case of assets scrapped / destroyed / sold for which the date of acquisition is not known, it are assumed, for the purpose of withdrawal of cost and depreciation, that the asset concerned was the oldest asset of the type in use at that accounting unit.

Loss of Assets.

2.59 In the event of loss / destruction of an asset, the cost and the accumulated depreciation on that assets are withdrawn from the fixed assets block and provision for depreciation respectively.

Write – off of Loss

2.60 Excess of the written down value of the lost / destroyed asset over the amount of insurance claim granted are charged to revenue in the year in which the insurance claim is settled.

Formation of a New Company

2.61 On formation of a new State Electricity Company, the geographical territories of an existing Company may get transferred to the new Company. The fixed assets of the existing Company may also get transferred at Book value (cost less accumulated depreciation) to the new Company. In all cases of transfers, the new Company shall not account for the book value at the net cost but shall incorporate gross cost as well as accumulated depreciation in its books of account. Depreciation on such assets should also continue to be charged on the gross cost in the same manner as the Company holding that asset hitherto would have charged.

Finance related costs.

2.62 The accounting policies for treatment of costs related to funds utilised for the purpose of construction / acquisition of assets are prescribed in the following paragraphs.

Costs relating to Borrowing.

2.63 Guarantee charges, commitment charges, legal charges / stamp duty for loan agreements / bonds / debentures, advertisement costs in a public issue of bonds, commission on issue of bonds / debentures and such other costs are charged to revenue in the year in which the costs are included.

Discount / Commission / Redemption Premium on Bonds / Debentures etc.

2.64 Discounts on issue of bonds / debentures are charged to revenue in the year in which bonds / debentures are issued. Premium payable on redemption of bonds / debentures are charged to revenue in the year in which the premium becomes payable.

Capitalisation of interest on Funds utilised at construction Stage.

2.65 No capitalisation of an imputed interest cost (notional interest) on the Company's own funds and interest free finance are permitted.

2.66 Every year, a portion of the interest payable on the interest bearing borrowings which relate to financing of capital assets at construction stage i.e., till the point of commissioning of assets are computed in the manner prescribed in paragraph 1.42 of Annexure V and if so directed by Central Government be capitalised.

2.67 The amount of interest so computed and capitalised are reduced from the amount of interest for the year and only the balance amount are chargeable to the Revenue Account for the year.

2.68 No part of interest are capitalised in respect of assets which involve no time period or involve insignificant time periods for bringing the asset into usable condition examples of such cases are :

- Purchase of new vehicles
- Purchase of Office equipments.

2.69 The amount of interest capitalised are included in the cost of the assets which involve significant time periods at construction stage and the same shall along-with the basic cost of assets be depreciated in normal course, over the expected useful life of the assets.

MATERIALS ACCOUNTING

Accounting for Materials Transactions

2.70 Accounting for all materials transactions are in the same period in which the physical event of receipts, issues etc. take place. Similarly, liability for all materials received and accepted by the Company are created in the month in which the materials are accepted.

Accounting for Incidental Expenses

2.71 Incidental expenses incurred shall not be linked to the actual materials receipts/issues and therefore shall not be treated as Materials Cost. These expenses are treated as a period cost and are charged to the Revenue Account of the period in which these expenses are incurred.

Recognition of Consumption

2.72 Accounting for consumption shall closely follow the physical transactions. Issues of materials in respect of specific works are forthwith treated as consumption. Where there are lump-sum withdrawal of materials, consumption are recognised only when the exact end-use is established.

III.BORROWINGS AND INVESTMENTS

Interest on Borrowings.

2.73 Provision are made every year for the interest accrued on all borrowings including State Government loans whether such interest is due or not and whether it is actually paid or not in the event of interest payment to State Government not being effected in pursuance of Section 67 A of the Act the same may be considered as deferred liability. The deferred liability in such cases only means deferment of payments and not deferment of the charge of Revenue Account.

2.74 Total interest cost for the year including interest on State Government loans shall, subject to capitalisation of a portion of interest as per paragraph

2.114 be charged to Revenue Account for the year.

2.75 A portion of the interest on borrowings which relates to financing of capital work-in-progress upto the stage of commissioning shall, if so directed by Central Government, be capitalised

Cost Relating Borrowings

2.76 Guarantee charges, commitment charges and legal charges / stamp duty for loan agreements, debenture trust deeds, bonds or debentures are charged to revenue in the year in which the costs are incurred. Provision are made at the year end for the above costs for the year, which have accrued but are not paid.

Discount and Redemption Premium on Bonds etc.

2.77 Discount on issue of bonds, debentures or other securities offered by a Company are charged to Revenue in the year in which the bonds / debentures are issued.

2.78 Premium, if any payable on redemption of bonds, debentures or other securities shall also be charged to Revenue Account in the year in which premium becomes payable.

Treatment of income and investments

2.79 Income from investment are credited to Revenue Account for the year in which the income has accrued. However, if the investments are held as earmarked investments against any Fund such as Pension Fund, Gratuity Fund etc., the income from such investments may be credited directly to the respective Fund.

2.80 Provision are made for the income from investments (whether to be credited to Revenue Account of a Fund) which has accrued but not received by the Company.

Investments to be recorded 'at Cost'

2.81 Investments are recorded in the books of accounts at actual cost of acquisition including transfer charges, stamp duty etc. No adjustment are made for the excess or shortfall of the cost over the face value of the investments.

Treatment of Loss/Gain relating to Investments

2.82 Gain on sale of investments are credited to the net Revenue and Appropriation Account. Similarly if any Redemption premium is received on maturity of securities, the same are also credited to Net Revenue and Appropriation Account. Loss on sale of investments are debited to Net Revenue and Appropriation Account, in case of investments against a Fund, the credit for



the gain or debit for the loss are not passed on to the Revenue Account but to the respective Fund Account itself.

IV OTHER ACCOUNTING AREAS

Foreign Currency Transactions

2.83 When a foreign currency transaction is being first recorded in a Company's books of accounts, the assets, liabilities, income or expenses arising from the foreign currency transaction are translated at the official exchange rate in force on the transaction date.

2.84 All amounts owed to the Company or owed by the Company in foreign currency outstanding at the balance sheet date (including liability in relation to acquisition of fixed assets) are translated at the official exchange rate in force as on the balance sheet date. If the amount derived on such translation is different from the amount at which the receivable or liability is appearing in the books of account, the difference are recorded in the books as under :

- (1) Increase in the amount of receivable or decrease in the amount of the liability are treated as a gain and be credited to Exchange Variance Reserve.
- (2) Decrease in the amount of receivable or increase in the amount of liability are treated as a loss and are debited to Exchange Variance Reserve if as a result of such debit the net balance in reserve account is a debit balance, the amount of debit balance are charged to revenue for the year as "Loss on Exchange Rate Variation".

Gain or loss arising on account of difference between actual amount received/paid and the amount at which the item is appearing in books shall also be treated in the same manner as above.

2.85 Where any revaluation or devaluation of rupee vis-à-vis the currency in which the liability is to be discharged is more than 10% at one time the same shall not be treated in accordance with the above mentioned policy relating to treatment of such situation are as follows:

- (1) The increase or decrease in the amount of foreign currency liability are accounted for as an increase or decrease in the cost of the assets financed by the liability.
- (2) The depreciation for the past years shall also be reworked for the assets where the conditions laid down in paragraph 2.47 for retrospective reworking of depreciation are fulfilled.

Loss due to Fire, Flood, Cyclone etc.

2.86 All losses on account of flood, cyclone fire etc.,

are treated as the loss for the year in which the loss was incurred. Such a charge against revenue are reduced.

- (1) By the insurance claim granted by the insurer where assets are insured with an outside insurer;
- (2) By the amount of reserve created where the Company follows self insurance practice and
- (3) By subsidy, if any, received from Government etc., specifically for meeting the loss.

In the case referred to in sub point (2) above, the excess amount set aside, if any, in respect of the assets may be written back to Revenue Account.

Income tax

2.87 Provision are made every year, for the tax payable by the Company on its income or profits in accordance with provisions of the relevant tax law. Such a provision are treated as a charge against the revenue before arriving at the Company's profit for the purpose of computing surplus for the year under Section 59.

2.88 Any excess or short-fall of the provision for income tax as compared to the tax payable are treated as prior period credit or prior period charge in the Revenue account for the year in which such excess or shortfall is established.

Timing of Accounting for Revenue

2.89 Revenue from sale of power are accounted for on an accrual basis. The accounting for revenue shall thus be totally delinked from the timing and the extent of actual collection of revenue from consumers. Where the sale of energy prior to the end of a year has not been billed, a provision for such unbilled revenue are made at the year end so as to treat the amount as revenue in the year of supply of power.

Treatment of certain items recoverable from consumers.

2.90 The accounting policy on treatment of certain items recoverable from consumers is laid down below with reference to each such item:

- (1) **Electricity Duty** : Electricity duty recovered from consumers and forwarded to the Government is neither a cost nor an income to the Company it should thus be kept out of the Revenue Account altogether. The point of time the liability to pay Electricity duty to the Government arises would differ from State to State – it may arise either on assessment or on collection. In order to reflect the liability truly in either case, the amount of duty assessed but not collected from consumers and the

amount of duty collected from consumers but not yet remitted to the Government are shown separately in the accounts.

- (2) **Minimum Charges** : Minimum charges levied in case of consumption below a specific minimum consumption during a billing period or during a year shall, for the sake of working convenience, be treated fully as revenue from sale of power although strictly only a part thereof relates to sale of power.
- (3) Treatment of Minimum charge levied on Applicants who have delayed taking of connection: Applicants who delay their Test Report are at times billed a minimum charge even though no power has been supplied to them. Such income are treated as "Miscellaneous Charges from Consumers". The amount receivable on the account shall also be accounted for in an account separate from 'Sundry Debtors for Sale of Power'.
- (4) **Treatment of Discount allowed for Timely Payment** : Cash discounts allowed to consumers as an incentive for timely payment by the due date should, when allowed, be treated as a cost and shown separately as such in the Revenue Account.
- (5) **Treatment of Delayed Payment Charges** :
Charges recovered from consumers for delayed payment should not be clubbed with the revenue from sale of power but shown separately since these are more in the nature of a financial charge.
- (6) **Accounting for bills of Thefts of Energy**: Income arising from the bills raised for Theft of Energy. Whether on a consumer or an outsider, are treated as income and reported under a separate account head provided for such revenue.

Cheque Received and in Hand to be Regarded as Cash.

2.91 Cheques and bank drafts received will be treated as cash until they are deposited in bank, and will be included as cash on hand in the accounts. Banking or such cheques and drafts will, therefore, be considered as deposit of cash in the Bank Account.

Subsidies

2.92 Subsidies which are receivable to assist a Company to meet, partly or fully, shortfall of revenue as compared to cost of operations of a specific type or of a specific activity carried out or being carried out by the Company on its own or under the directive of the body from whom the subsidy is receivable are credited to Revenue Account.

2.93 The subsidies, the receipt whereof is dependent upon the Company satisfying certain conditions shall not be taken credit for to Revenue Account until the Company satisfies all such conditions.

2.94 Where a claim for subsidy of revenue nature is made but no intimation of granting of the claim has so far been received the outstanding amount for the current year and for the past years should be shown as a deduction in the Reserve Schedule.

The Company follows the mandatory accounting standards issued by the ICAI in regards to the accounting treatment of various transaction and prescribed in the Accounts.



NOTES TO ACCOUNTS

(2003-2004)

1. (i) The revenue from domestic and non-domestic and general purpose categories of Consumers is based on Monthly and Bi-monthly system.
- (ii) 25% Rebate to New Industries is allowed to consumers as and when the sanction is accorded by the competent authority in accordance with the Tariff Order.
- (iii) Bills raised on consumers and others for theft / Malpractices of Electricity has been considered as revenue income, considering the following facts:
 - a) Initial assessment order Passed and 50% of the claim realized.
 - b) Initial assessment completed and the shortfall of the 50% is yet to be collected or being collected for Theft / Malpractice cases.
 - c) Final assessment is completed and the balance amount being recovered for Theft / Malpractice cases.
2. As per Section 59 of Electricity (Supply) Act, 1948 the Company has to achieve a minimum surplus of 3% on the Capital base. Due to regulated price structure of the Regulatory commission of Andhra Pradesh, during the year 2003-04 the company made a net surplus of Rs.2.77 Crores before Tax and Contingency Reserve of Rs. 1.96 Crores.
3. Contingencies reserve of Rs.1.96 Crs as required under sixth schedule of the Electricity Supply Act has been accounted and will be invested in Govt Securities to comply with Sec.20 of the Indian trusts act, 1882.
4. The Company's assets have been insured as per requirement.
5. Accumulated losses and unabsorbed depreciation for the year 2003-2004 (Assessment Year 2004-05) onwards as per admissibility in accordance with the Income Tax act and rules made there under are in the process of determination. The final assessment of Income Tax is not yet completed.
6. All expenses are reflected in Revenue account under natural heads. Accordingly expenses shown under purchase of Power, Repairs and Maintenance do not include any Employee Costs, Depreciation, Administration and General Expenses and interest and Finance Charges which are disclosed separately.
7. The increase in Power Purchase is mainly due to increased level of drawls from Bulk supply and rates as applicable under Tariff Order 2003-04.
8. The Company follows the accounting principles / policies enunciated in the ESAAR of 1985, which are not in total consonance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956. The Company is created out of reforming and restructuring of the erstwhile Andhra Pradesh State Electricity Board in accordance with the Andhra Pradesh Electricity Reforms Act of 1998. It has been traditionally following ESAAR of 1985 and gradually adopting to the requirements of the Companies act ,1956.
9. The Opening balances as on 1-4-2003 of all Fixed Assets, Current Assets and Liabilities are adopted from the 2nd Transfer Scheme as per the notification of the Government of Andhra Pradesh with additions.

The physical verification of the Fixed Assets in the various circles / Divisions are under process. It is expected that

the complete reconciliation would be over during 2004-05. Based on the verification of the sample status in some of the circles, it is observed that the discrepancy in the Fixed Assets register is not significant.

10. Depreciation on fixed assets is provided under 'Straight line method' at the rates prescribed by the Central Government vide Notification No.S.O.265 (E) dated 27th March, 1994 issued under the Electricity (Supply) Act, 1948. In accordance with past practice and clarification given by the authorities, depreciation has been provided only on assets in existence at the beginning of the year and no depreciation has been provided on additions during the year.
11. The Company is contributing the monthly Pension and Gratuity Liability regularly to the Pension & Gratuity Trust, with the approval of the Regulatory Commission. Accrual provision for leave encashment is not provided since the amount is insignificant and could not be arrived at accurately. However, for unpaid bills provision for leave encashment is provided in March 2004.
12. Deposits received from consumers to end of the year new services and for additional load is Rs. 279.38 Crs. as per schedule 27 and it carries interest @ 3% per annum.
13. a. The net profit on Sale of Scrap Rs.0.32 Crs. is included in the other income - Misc. Receipts.
b. The cost of scrap sold Rs.1.30 Crs. is reduced from the Stock of Materials at other stores.
14. 18% on capital expenditure is capitalised as Employee cost and Administration & General Expenses.
15. Preliminary expenses are written off over a period of 10 years, commencing from 2001-02 onwards.
16. The Fixed assets of the Company are determined with reference to the actual cost incurred in acquiring them. Fixed assets comprise its purchase input cost price and other attributable costs towards formation of the Assets, with reference to the Accounting Standard 10 of the Institute of Chartered Accountants of India.

The contribution received from the consumers towards Capital items are treated as capital receipts and transferred to Capital reserve in accordance with the accounting principles / Policies of the Company, which is being followed consistently to show a fair market value position of the Fixed Assets acquired or constructed by the Company.

7. a) As on 31-03-04, the Company has Contingent Liabilities for pending court cases of various nature. However the same could not be quantified due to uncertainty.
b) Cash at Bank includes Rs. 18.17 lakhs due to Court attachment orders in the event non payment of compensation in case of third party fatal accidents.
18. The loans and advances made by the Company are not classified as secured or otherwise as more than 93% is secured under bank guarantee.
19. As per the Accounting Standards issued by the Institute of Chartered Accountants of India, the Company has to provide for Deferred Tax Liability (DTL) in its Accounts. This is not being complied with at this juncture, since it is based on the principle of carry forward of difference between income-tax depreciation and the book depreciation and other losses of the previous years, which requires the backdated data of the Company from the erstwhile APSEB. Moreover, the Company's shares are not listed in any Stock Exchange. However, the Company shall recognize the compliance with this Accounting Standard in future. The same stand has been taken by AP Transco also in this matter.
20. The settlement of Govt Departments, Major and Minor Panchayat's dues amounting to Rs. 15.24 Crores by Govt of Andhra Pradesh in the form of Bonds will be shown as Investment on receipt of Bonds



21. Particulars of commitment of capital expenditure as on 31-03-2004

| | | |
|--|---|------------------|
| Value of Capital investment approved by the Commission | : | Rs.110.98 Crores |
| Expenditure incurred during the year | : | Rs.181.51 Crores |

22. Aggregate amount of Capital Liabilities falling due for Repayment / Redemption during 2004-05 is

| (Rs. In Crores) | | |
|-----------------|---------------------|------------------|
| | Principle Repayment | Interest Payable |
| R E C | 52.26 | 33.11 |
| P F C | 0.30 | 0.17 |
| Govt. Loan | 5.11 | 10.64 |
| APDRP | - | 4.55 |
| | 57.67 | 48.47 |

23. Unconditional Obligations for Purchase of Power
With Financing Arrangement

The Bulk supply agreement Dt.25.6.2001 is valid upto 30.09.2003 between Transmission Corporation of Andhra Pradesh Limited and the Company. It is renewed automatically in accordance with clause 2.2 of the agreement, for a period of one year after completion of the initial term. The Power Purchase obligation is supply of Power at Bulk Supply Tariff at Rs. 2.512 per unit (Tariff order 2003-04) from 01-04-03 to 31-03-04. The excess drawal beyond Electricity Regulatory Commission target will be charged at Rs.1.40 per unit The payment is to be made within 30 days from the date of billing.

24. Unconditional right of Sale of Power
With Financing Arrangement

The sale of power to different categories of consumers is in relation to actual consumption quantity pattern in the Company, the revenue and billing is as per tariff order condition.

25. In the absence of taxable income as computed by the company, provision of Minimum Alternate Tax under Section 115 JB is applicable, and income tax provision has been made accordingly.

26. Lien etc., on Company's assets.

- Government of Andhra Pradesh has guaranteed the loan sanctioned by Rural Electrification Corporation Limited and Power Finance Corporation Ltd. and there is no lien created on any asset of the Company. Further, Government loans do not require any guarantee or creation of any charge on assets as per Lr.noF.A.&CCA(R&A)/SAO(L)/170/2003dt.06-02-2003.
- The company has a sanctioned Loan Limit of Rs. 90 Crores from Power Finance Corporation and executed the Loan agreement, Deed of Hypothecation and Tripartite Escrow Agreement on 24.07.2003. The said loan is secured by first charge by way of hypothecation of all movable assets as well as future movable assets by way of execution of APDRP Project. The company has not availed loan during 2003-04.

27. Regarding Related parties disclosure as per accounting standard 18 issued by Institute of Chartered Accountants of India, the Company had no related parties during the year.

Aggregated related party disclosure for the year 2003-04

| Nature of Transaction | Holding/Subsidy | 31.03.2004 (Rs. in Crs) | 31.03.2003 (Rs. in Crs) |
|-----------------------------------|-----------------|----------------------------|----------------------------|
| Power purchase from AP Transco | Holding Company | 1550.22 | 1417.00 |

28. For financing various capital schemes of the company, the fund is financed by way of Loan from Rural Electrification Corporation Limited, Govt of Andhra Pradesh and Power Finance Corporation Ltd., and Grant from Govt. of Andhra Pradesh. The Interest during Construction (IDC) is allocated to the on going schemes based on the interest charged on fund drawl.
29. The transactions relating to Transmission Corporation of Andhra Pradesh Limited and the closing balance of Rs 110.95 Crores.
30. Disclosure of quantitative particulars in pursuance of the requirements of part II to Schedule VI of the Companies Act, 1956:

a1) Quantitative Details of Purchase & Sale of Power and Circle & Sub-transmission losses:

in million Units)

| | | |
|---|--|----------|
| 1 | Gross Energy Purchased | 7234.556 |
| 2 | Gross Energy Input | 7234.556 |
| 3 | <u>Direct Sales:</u> | |
| | a) EHT | 659.318 |
| | b) HT | 109.212 |
| | c) NTPC | - |
| | d) Total direct Sales (a + b + c) | 768.530 |
| 4 | Net Energy Input (2 – d) | 6466.026 |
| 5 | <u>Sale by Circles:</u> | |
| | a) EHT | 1124.125 |
| | b) HT | 850.788 |
| | c) LT | 2327.102 |
| | d) Agricultural Consumption | 1175.417 |
| | e) Total Sales by Circles | 5477.432 |
| 6 | <u>Circle Losses:</u> | |
| | a) Sub Transmission losses | 18.136% |
| | b) Percentage of Circle losses to Gross energy input | 13.665% |
| | c) Percentage of Discom Losses | 15.289% |
| | | |



a2)

| Sl. No. | Particulars | Account Code | Rs. in Crores | Rs. in Crores |
|----------|---------------------------------|--------------|---------------|---------------|
| A | Opening Balance | | | |
| | Capital | 22.600 | 35.00 | |
| | O & M | 22.620 | 6.05 | 41.05 |
| B | Receipts | | | |
| | Capital | 22.600 | 146.51 | |
| | O & M | 22.620 | 9.35 | 155.86 |
| C | Issues | | | |
| | Issues to Contractors – Capital | 22.600 | 154.73 | |
| | Issues for Consumption – O & M | 22.620 | 6.03 | 160.76 |
| | Issued to Inter Stores | | | |
| | Return outwards | | | |
| D | Closing Balance | | | |
| | Capital | 22.600 | 26.78 | |
| | O & M | 22.620 | 9.37 | 36.15 |

b) Payments and benefits to Managing and Other Directors:

(In Rupees)

| Sl. No. | Particulars | Managing | Director-I | Director-II | Director-III |
|---------|--|---------------|---------------|---------------|---------------|
| 1 | Salary /Remuneration | 189900 | 165300 | 165300 | 360000 |
| 2 | Sitting Fee | - | - | - | - |
| 3 | Honorarium | - | - | - | - |
| 4 | Allowances | 203252 | 48264 | 48264 | - |
| 5 | House, Telephone Expenses Conveyance and other such benefits/perquisites | 98160 | 94400 | 94400 | 97400 |
| 6 | Traveling Expenses | 203955 | 141898 | 48486 | 158786 |
| 7 | Others | - | - | - | - |
| | | - | - | - | - |
| | Total | 695267 | 449862 | 356450 | 616186 |

Sitting fee paid to Non whole time Directors is Rs.2500/- and incidental expenses incurred is Rs.7500/-

- c) Loans and Advances include Advances/Loans to Directors of Rs. - NIL
Maximum amount outstanding at any time during the year is Rs. - NIL
- d) During the year the Company incurred expenditure in Foreign Currency the details of which are as follows: -
NIL

| Sl. No. | Nomenclature | In foreign Currency | Equivalent in Indian Rs. |
|---------|---|---------------------|--------------------------|
| 1 | Purchase of Stores computed on C.I.F. Basis | | |
| 2 | Value of imported Stores Consumed | | |
| 3 | Interest & Finance Charges | NIL | NIL |
| 4 | Fee for Technical Services | | |
| 5 | Traveling Expenses | | |
| 6 | Others (Give Details) | | |

31 The Company is contingently liable in respect of:

- Claims against the Company not acknowledged as debts - No such claim as on date.
- Guarantees/ Counter Guarantees issued - Company not issued so far
- Liability on Partly paid shares - No Liability as Shares are fully paid up
- Commitment on Contracts to be executed on Capital Account - Nil.
- Other amounts for which the company is contingently liable – The Company is liable for Entry Tax of Rs.5.03 Crs. from June 02 to March -04 for procurement of Transformers and conductors. The company had gone for Appeal before Appellate Deputy Commissioner, Commercial Tax VSP for the period from June 02 to Nov-03 and also obtained stay collection of recovery from A.P. High Court/Joint Commissioner for the same period. The Company is liable for Central Excise on manufacture of PSCC Poles & RCC Base plates to the extent of Rs. 0.05 Crores.

32 Figures are rounded off to the nearest rupee

33 Previous year figures are regrouped and arranged wherever necessary

As per our report attached
for **M/s. M. Bhaskara Rao & Co.**
Chartered Accountants



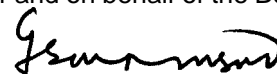
B. Radhakrishna
Partner
Membership No. 22061

Visakhapatnam
28.08.2004

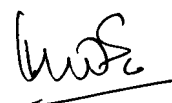


P. Vithal Kumar
Company Secretary

for and on behalf of the Board



G. Sai Prasad I.A.S.
Chairman & Managing Director



Arijit K. Ghosh
Director (Finance)

| EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED | | |
|---|--|---------------------------|
| FUNCTION-WISE ANALYSIS OF REVENUE AND EXPENSES | | Statement - 6 |
| | | (Rupees in Crores) |
| Sl. No. | Particulars | FIN. Year 2003-04 |
| | REVENUE : | |
| 1 | Revenue from sale o power | 154594.30 |
| 2 | Revenue Subsidies and grants | 22666.00 |
| 3 | Other income | 2959.19 |
| 4 | Total Income | 180219.4975 |
| | EXPENSES: | |
| 1 | Purchase of Power | 155022.39 |
| 2 | Repairs & Maintenance | 968.22 |
| 3 | Employee costs | 12998.77 |
| 4 | Adm. & General Expenses | 2671.45 |
| 5 | Depreciation and related Debits (net) | 6281.27 |
| 6 | Interest and Finance Charges | 6760.55 |
| 7 | Total Expenses | 184702.6487 |
| 8 | Less: Expenses Capitalised | 5352.85 |
| | Other expenses | 683.73 |
| 9 | Add:Expenses reallocated | 0 |
| 10 | Net Prior Credits/Charges | 90.58761 |
| 11 | Net Surplus | 276.55546 |

EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

(Rupees in Lakhs)

| Particulars | 2003-04 | 2002-03 |
|---|--------------------|--------------------|
| A Cash Flow from Operation activities | | |
| Net Profit Before Tax | 276.56 | 564.07 |
| Adjustments for : | | |
| Depreciation | 6,277.78 | 5,322.45 |
| Unrealised Foreign Exchange difference | - | - |
| Interest (Net) | 6,429.39 | 5,500.76 |
| Dividend Received | - | - |
| (Profit) / Loss on sale of Fixed Assets (Net) | - | - |
| (Profit) / Loss on sale of Investments (Net) | - | - |
| Provision for diminution in value of assets held for sale | - | - |
| Provision for diminution in value of investments | - | - |
| Adjustments for Employees terminal benefits like GPF & P & G | (2,034.03) | 1,466.16 |
| Operating Profit before working capital changes | 10,949.70 | 12,853.44 |
| Adjustments for | | |
| (Increase)/Decrease in Trade and Other receivables | (11,536.05) | (10,204.70) |
| (Increase)/Decrease in Inventories | 618.95 | (1,955.41) |
| (Increase)/Decrease in Miscellaneous Expenditure not written off | 1.96 | 1.96 |
| (Increase)/Decrease in Trade Payables | 16,584.67 | (5,324.36) |
| Cash generated from operations | 16,619.22 | (4629.07) |
| Direct Taxes Paid | 22.00 | 45.00 |
| Net cash from Operating Activities | 16,597.22 | (4,674.07) |
| B. Cash flow from investing activities | | |
| Purchase of Fixed Assets | (23,911.77) | 19,619.26) |
| (Including Interest capitalised Rs. Crs, Prev. Yr. Rs. Crs.) | | |
| Sale of Fixed Assets | - | - |
| Purchases of Investments-Contingency Reserve in Govt. Bonds | (158.98) | - |
| Sale of Investments | - | - |
| Loans/Deposits made with Subsidiaries/Associates (Net) | - | - |
| Advance to Subsidiaries / Associated towards equity commitment (Net) | - | - |
| Interest Received | 331.17 | 40.23 |
| Dividend received from Subsidiaries/Associates | - | - |
| Dividend received from other Investments | - | - |
| Net Cash (used in) / from Investing Activities | (23,739.58) | (19,579.04) |
| C. Cash flow from financing activities : | | |
| Proceeds from issue of share Capital | - | - |
| Proceeds from long term borrowings | 21,061.82 | 19,263.19 |
| Proceeds from Govt as Subsidy & Grants | 1,414.68 | 1,099.68 |
| Proceeds of consumer contribution for capital assets | 5,127.44 | 4,922.83 |
| Repayment of long term borrowings | (10,766.61) | (3,757.00) |
| (Repayments)/Proceeds from other borrowings (Net) | - | - |
| Loans from Subsidiaries / Associates (Net) | - | - |
| Dividends Paid | - | - |
| Additional Tax on Dividend | - | - |
| Interest Paid | (6,760.55) | (5,540.98) |
| Net Cash (used in) / from Finance Activities | 10,066.77 | 15,987.72 |
| Net (decrease) / increase in cash and cash equivalent (A + B+ C) | 2,924.41 | 8,265.39 |
| Cash and cash equivalents at beginning of the year | 1,991.40 | 10,256.79 |
| Cash and cash equivalents at end of the year | 4,915.81 | 1,991.40 |



EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

STATEMENT OF CAPITAL BASE AND SURPLUS

Statement - 8

| Sl. No. | Particulars | Schedule | At the beginning of this year (2003-04) | At the beginning of Previous year (2002-03) |
|---------|--------------------------------|----------|---|---|
| 1. | Original cost of Fixed assets | 19 | 8174028871 | 6933013037 |
| 2. | Less: Accumulated Depreciation | 19 | 3967591193 | 3435346349 |
| 3. | Net Block (1-2) | | 4206437678 | 3497666688 |
| 4. | Consumers contributions | 34 | 1892667583 | 1290416687 |
| 5. | CAPITAL BASE (3-4) | | 2313770095 | 2207250001 |
| | | | | |
| | | | | |
| | PARTICULARS | | This year (2003-04) | Previous year (2002-03) |
| 6. | Surplus (under Section 59) | | 25455546.00 | 51907435.00 |
| 7. | Surplus as % of Capital Base | | 1.10 | 2.35 |

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE OF

**SCHEDULE VI
PART IV****BALANCE SHEET ABSTRACT & COMPANY'S
GENERAL BUSINESS PROFILE****THE COMPANIES
ACT, 1956
(1 OF 1956)****I. Registration Details :**

Registration No.

3 4 1 1 7

State Code

0 1

(Refer Code List)

Balance Sheet Date

3 1

0 3

20 04

II. Capital raised during the year : (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private
Placement

N I L

III. Position of Mobilisation and Deployment of funds : (Amount in Rs. Thousands)Total
Liabilities

8 0 8 5 6 7 2

Total Assets

8 0 8 5 6 7 2

Sources of FundsPaid-up
Capital

7 5 6 6 3 8

Reserves &
Surplus

- 1 3 2 0 8 9

Secured
Loans

4 9 1 4 2 4 4

Unsecured
Loans

2 5 4 6 8 7 9

Application of FundsNet Fixed
Assets

7 9 1 1 8 1 3

Investments

1 7 0 0 8

Net Current
Assets

4 7 7 4 0

Miscellaneous
Expenditure

1 3 7 0

Accumulated
Losses

1 0 7 7 4 1

IV. Performance of Company : (Amount in Rs. Thousands)

Turnover

1 8 0 2 1 9 5 0

Total
Expenditure

1 8 0 0 3 3 5 3

Profit / Loss before tax

1 8 5 9 7

Profit/Loss after tax

1 6 3 9 7

(Please tick appropriate box + for Profit for Profit, - for Loss)

Earning per
Share in Rs.

Dividend rate %

- -

V. Generic Names of Three Principal Products / Service of company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

S U P P L Y A N D
D I S T R I B U T I O N O F
E L E C T R I C I T Y

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description



EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

Regd. Office : 30-14-9, SAI Sakthi Bhavan, Near Saraswati Park, Daba Gardens

Visakhapatnam - 530 020

PROXY FORM

I/We, _____

S/o D/o W/o _____

R/o _____

being a Member of Eastern Power Distribution Company of Andhra Pradesh Limited hereby appoint _____

S/o D/o W/o _____

R/o _____

as my proxy to attend and vote for me and on my behalf at the Fourth Annual General Meeting of the Company to be held on 20th December, 2004 at 11.30 a.m. at the Registered Office of the company at 30-14-9, Sai Sakthi Bhavan, Near Saraswati Park, Daba Gardens, Visakhapatnam - 530 020 or at any adjournment thereof.

Place :

Date :

Please affix
Rs. 1
Revenue
Stamp

EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED

VISAKHAPATNAM

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CONFIDENTIAL



LATA MALLIKARJUNA
SR. DY. ACCOUNTANT GENERAL
(COMMERCIAL AUDIT WING)

OFFICE OF THE
ACCOUNTANT GENERAL (C&RA),
ANDHRA PRADESH,
HYDERABAD - 500 004.

No. AG (C&RA)/EBRA-IV/I/2004-05/324

Dated : 17-12-2004

To
The Chairman and Managing Director,
Eastern Power Distribution Company
of Andhra Pradesh Limited,
VISAKHAPATNAM.

Sir,

Sub : Comments on the accounts of Eastern Power Distribution Company of Andhra Pradesh Limited, Visakhapatnam for the year ended 31 March 2004.

I am to forward herewith Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act 1956 on the accounts of your company for the year ended 31 March 2004 for necessary action. I am also to enclose a review on the accounts of your company as compiled by this office, for publishing it as an Annexure to the Director's Report as agreed to by the State Government in their letter number 1392-4/66 dated 10 June 1966.

2. The date of placing of Comments along with Annual Accounts and Auditors Report before the Shareholders of the Company may be intimated and a copy of the proceeding of the meeting furnished.

3. The date of forwarding the Annual Report and the Annual Accounts of the Company together with the Auditors Report and Comments of the Comptroller and Auditor General of India to the State Government for being placed before the Legislature may also be communicated.

4. Ten copies of the Annual Report for the year 2003-04 may be furnished in due course.

The receipt of this letter along with enclosure may please be acknowledged.

Encl. : As above

Yours faithfully



Sr. Deputy Accountant General (C)



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER
SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
'EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED',
VISAKHAPATNAM FOR THE YEAR ENDED 31 MARCH 2004.**

Balance Sheet

Other Current Liabilities (Schedule-28)

Staff related liabilities and provisions : Rs. 15.28 crore

Reference is invited to Note 11 of the 'Notes to Accounts' where it is mentioned that provision for leave encashment was not provided since the amount involved was insignificant and it could not be arrived at accurately. The qualification made by the Statutory Auditors vide para II (D) (vii) of their Report refers. The above position is factually not correct as the amount worked out by the Management in respect of 4520 out of 7377 employees amounted to Rs. 27.46 crore.

This has resulted in understatement of 'Staff' related liabilities and provisions' by Rs. 27.46 crore. Consequently, profit for the year (Rs. 1.64 crore) would also turn into loss of Rs. 25.82 crore.

Hyderabad,
16.12.2004

**(SUDARSHANA TALAPATRA)
ACCOUNTANT GENERAL (C&RA)**