



**Eastern Power**  
**Distribution Company of A.P. Ltd**

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణీ సంస్థ

## **Quality Policy of EPDC of A.P. Ltd**

Committed to be the best  
"Power Utility" by providing  
sufficient, reliable and cost effective power  
to the delight of our customers

&

to achieve this through continual  
improvement of our processes,  
technological advancements  
and conducive work environment

*Energy Saved is ...*

*Energy Produced*



**EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

*Regd. Office:*

*P&T Colony, Seethammadhara, Visakhapatnam – 530 013*

*Phone : 0891 - 2582503, Fax : 0891 - 2737675*

*website : www.apeasternpower.com*

**DIRECTORS**

**SRI N. GULZAR, I.A.S.**  
Chairman and Managing  
Director

**SRI AJAY JAIN, I.A.S.**  
Director (Non whole time)

**SRI B.UMAKAR RAO**  
Director (Non whole time)

**SRI V. SURYANARAYANA**  
Director (Operation)

**SRI H.Y. DORA**  
Director (Projects & Comml.)

**SRI Y. NARAYANA**  
Director (RA)

**SRI V. KRISHNA MURTHY**  
Director (Plg.)

**SRI P.HARI PRASAD,**  
I.R.A.S.  
Director (Finance)

**BANKERS**

State Bank of Hyderabad

State Bank of India

Andhra Bank

Bank of India

Indian Overseas Bank

**AUDITORS**

**M/S. SATYANARAYANA & CO**  
CHARTERED ACCOUNTANTS  
5-5-88/8, Amar Mansion  
Ranigunj  
Secunderabad - 500 003

**COMPANY SECRETARY**

**A. RAMA RAO, A.C.S.**





**EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**  
**Visakhapatnam - 530 013**

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## **EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

Regd. Office: P&T Colony, Seethammadhara,  
Visakhapatnam – 530 013

### **NOTICE**

Notice is hereby given that the Nineth Annual General Meeting of the Eastern Power Distribution Company of Andhra Pradesh Limited will be held on Thursday, the 24<sup>th</sup> day of September, 2009 at 10.30 A.M. at the Registered Office of the Company at P&T Colony, Seethammadhara, Visakhapatnam – 530 013 to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Profit and Loss Account for the Period ended 31.03.09 and balance sheet as on 31.03.09 of the company together with the Directors' Report, the Statutory Auditors Report and the comments of the Comptroller and Auditor General of India thereon.
2. To take note of the appointment of Statutory Auditors for the Financial year 2009-10 under the provisions of Sec. 619 of Companies Act, 1956 by Comptroller and Auditor General of India and fix the remuneration of Statutory Auditors of the Financial year 2009-10.

#### **DRAFT RESOLUTION:**

RESOLVED THAT, pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies act, 1956, the Board of Directors of the Company be and are hereby authorised to fix the remuneration payable to M/s Satyanarayana & Co, Statutory Auditors and to provide for reimbursement of their actual out-of-pocket expenses for the Financial Year 2009-2010."

Place : Visakhapatnam

Date : 22.09.2009

By Order of the Board

  
A.RAMA RAO ACS 21/11/3

Company Secretary

- 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. The comments of the Comptroller and Auditor General of India (CAG) on the Annual Accounts F.Y.2008-2009 shall be placed before the shareholders at the AGM.



# Eastern Power

Distribution Company of A.P. Ltd

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## Director's Report

*Energy Saved is ...*

*Energy Produced*



## **EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

**Regd. Office:**

**P&T Colony, Seethammadhara, Visakhapatnam – 530 013**

### **DIRECTORS' REPORT**

**Dear Shareholders,**

Your directors take immense pleasure in presenting the Ninth Annual Report of the Company together with the Audited statement of Account for the year ended 31<sup>st</sup> March 2009. During Ninth year of the Company's operations, your company advances on the path of progress by effective management through optimum utilization of resources and better management of human resources and Information technology. Your management continues its focus on the key areas of loss reduction and quality control; together with dedicated customer care measures.

### **PERFORMANCE AND OPERATIONAL HIGHLIGHTS**

During the year, the Sale of Energy was 8692.21 Million Units, an increase of 7.86% as compared to 8058.705 Million Units for the previous year. The aggregate technical and commercial losses were brought down to 8.293% from 9.010% in the previous year. During the year, the DPE wing has inspected 51,807 services and assessed an amount of Rs.2225.08 Lakhs in respect of 12,708 cases booked, relating to pilferage, malpractice, back billing, etc.; out of which an amount of Rs.1434.62 Lakhs has been realised.

During the year under review, Implementation of the High Voltage Distribution System (HVDS) facilitated erection of around 5657 Nos. smaller capacity distribution Transformers and conversion of 721.05 Kms. of LT Line to 11 KV Line. Providing high precision / static Metering for HT and LT services was taken up as a continuous drive and an aggregate number of 2,05,409 Meters were installed during the year. Under the JBIC, RGGVY and other Schemes, 54 Nos. 33/11 KV Sub-Station were commissioned. About 146 colonies were electrified during the year.

### **FINANCIAL HIGHLIGHTS**

The financial performance of the Company for the F.Y.2008-09 as against APERC Targets and in comparison with previous year is as follows:



Rs. in Crores

	Particulars	APERC Target 2008-09	Actuals 2008-09	Actuals 2007-08
<b>I</b>	<b>REVENUE</b>			
	Sale of Power (incl. Electricity Duty)	2493.00	2500.67	2178.26
	Inter state sales and Inter Discom Sales		270.92	338.30
	Non-Tariff Income	91.00	126.85	247.06
	Wheeling Charges			
	Subsidy		671.54	
	Total Revenue	2584.00	3569.98	2763.62
<b>II</b>	<b>EXPENDITURE</b>			
	Power Purchase	1967.00	2953.09	2252.47
	Electricity Duty	37.00	35.84	32.30
	Employee Cost	169.00	232.20	232.55
	Administration & General Charges	40.00	40.47	39.91
	Repairs & Maintenance	14.00	22.91	13.46
	Interest & Finance Charges	92.00	133.44	124.60
	Depreciation	119.00	157.63	111.82
	Other Expenses - Corporate Exp.	12.00	2.62	19.99
	Extra-ordinary items consisting of amortization of consumers contribution, subsidies, grants etc., pertaining to previous years			
	Prior Period Charges		(7.03)	(75.78)
	Special Appropriation – Contingency Reserve		5.00	5.00
	Less: 1. Expenses Capitalized	26.00	22.60	22.48
	2. Interest During Construction (IDC)		9.37	6.09
	Total Expenditure	2424.00	3553.26	2727.75
	Profit before Tax but After Prior period items & Spl. Appropriation	160.00	11.72	35.87
	Provision for Income Tax & FBT		3.14	5.55
<b>III</b>	<b>PROFIT AFTER TAX</b>	<b>160.00</b>	<b>8.58</b>	<b>30.32</b>

Note: \* Actual Sale of Power is inclusive of efficiency gains.



**VARIATION IN EXPENDITURE WHEN COMPARED TO APERC TARGETS**

The actual expenditure during the year was Rs. 3553.26 Crores as against the APERC approved estimate of Rs. 2772.75 Crores. The details of the current year's expenditure in certain key areas, against the APERC Target are as follows:

Particulars	ARR Target	Actual	Remarks
	2008-2009 (in Crores)	2008-2009 (in Crores)	
Power Purchase	1967.00	2953.09	Actual Power purchase cost is Rs. 2.99/unit as against the target power purchase cost of Rs.1.89 /unit. The increase in cost is mainly due to additional power purchase cost and usage of high cost fuel/raw material for generation of power.
Employee Cost	169.00	232.20	The increase in actual expenditure is due to the impact of provision of liability towards terminal benefits Rs.61 Crores.
Depreciation	119.00	157.63	Depreciation is charged as per accounting policy of the company. The variation is due to adjustment of amortization of consumer contributions.
Interest & Finance Charges	92.00	133.44	Increase in interest and finance charges is due to interest on short term loans taken to meet the additional power purchase cost.
Admn. and Gen. Charges	40.00	40.47	Increase in actual expenditure is not significant when compared to targets.
Repairs and Maintenance	14.00	22.91	The increase in actual expenditure during the year is due to special drive taken up on O&M works.

**SURPLUS IN REVENUE ACCOUNT:**

During the year 2008-09 the Company achieved a surplus after tax of Rs. 8.58 Crores after creation of Special appropriation for safety reserve Rs 5.00 Crores and making Provision of Rs. 3.14 Crores towards Minimum Alternate Tax and Fringe Benefit Tax under the provision of the Income-Tax Act, 1961.

**SPECIAL APPROPRIATION TOWARDS SAFETY MEASURES:**

A special appropriation of Rs. 5 Crores has been made out of surplus from revenue account for the year ending 31<sup>st</sup> March, 2009 towards safety measures as directed by APERC vide para No. 365 of Tariff Order for the year 2006-07.





### 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 2008-09.

### **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.

There were no foreign exchange earning and outgo during the year.

### **PARTICULARS OF EMPLOYEES**

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

### BOARD OF DIRECTORS

The Details of Directors of the Board from the last Annual General Meeting to till to date as follows including changes.

Name of the Director	Designation	Date of appointment	Date of cessation
Sri N. Gulzar, IAS	Chairman & Managing Director	23.03.2008	---
Sri K. Vijayanand, IAS	Non-Whole Time Director	23.03.2008	23.07.2009
Sri Ajay Jain, IAS	Non-Whole Time Director	23.07.2009	---
Sri K. Gopala Krishna	Non Whole Time Director	07.10.2006	09.01.2009
Sri B. Umakara Rao	Non Whole Time Director	09.01.2009	---
Sri V. Suryanarayana	Director (Operation)	30.06.2007	---
Sri H.Y. Dora	Director (Projects)	01.05.2008	---
Sri Y. Narayana	Director (RA)	29.11.2008	---
Sri V. Krishna Murthy	Director (Plg.)	10.02.2009	---
Sri P. Hari Prasad, IRAS	Director (Finance)	01.05.2009	---



Consequent to the above changes the Board of Directors of the Company as on the date of 9<sup>th</sup> Annual General Meeting is as follows.

Name of the Director	Designation	Date of appointment
Sri N.Gulzar, IAS	Chairman & Managing Director	23.03.2008
Sri Ajay Jain, IAS	Non-Whole Time Director	23.07.2009
Sri B.Umakara Rao	Non Whole Time Director	09.01.2009
Sri V.Suryanarayana	Director (Operation)	30.06.2007
Sri H.Y.Dora	Director (Projects)	01.05.2008
Sri Y.Narayana	Director (RA)	29.11.2008
Sri V.Krishna Murthy	Director (Plg.)	10.02.2009
Sri P.Hari Prasad, IRAS	Director (Finance)	01.05.2009

During the year, the Company held 5 Board Meetings as per following details:

Sl. No.	Date of the Meeting	No. of Whole Time Directors attended	No. of Non Whole Time Directors attended
1	09.05.2008	4	2
2	12.09.2008	3	1
3	27.09.2008	4	1
4	27.12.2008	4	1
5.	26.03.2009	5	2

#### AUDIT COMMITTEE

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

Name of the Director	Designation	Other Directorship/s
Sri Ajay Jain, IAS	Non Whole Time Director	Joint Managing Director (HRD, Comml., IPC & Reforms), APTRANSCO
Sri B.Umakara Rao	Non Whole Time Director	Director (Projects & Co - Ordination) APTRANSCO
Sri H.Y.Dora	Director (Projects)	Nil



During the year, the Company held an Audit Committee Meeting as per following details:

Sl. No.	Date of the Meeting	No. of Whole Time Directors attended	No. of Non Whole Time Directors attended
1	02.08.2008	1	2
2	27.12.2008	1	1

### **AUDITORS**

The Office of the Comptroller and Auditor General of India (C&AG) have appointed M/s Satyanarayana & Co., Chartered Accountants as Statutory Auditors of the Company for the Financial Year 2008-2009.

### **REPLIES TO COMMENTS OF THE STATUTORY AUDITORS AND THE C&AG**

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

### **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<sup>st</sup>, 2009; 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;
- 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
- The Annual Accounts were prepared on a going concern basis.

### **PERFORMANCE AWARDS**

#### IEEMA Award for performance

Your Company has bagged the first prize in the category of excellence in power distribution, instituted by the Indian Electrical and Electronics Manufacturers' Association (IEEMA).

#### Gold shields for performance

Your Company has been awarded Gold Shield for its outstanding performance for the year 2007-08 instituted by the Ministry of Power.



### Gold and Bronze Shield Awards for Rural Distribution Franchisee Performance

Your Company has achieved two of the Mandal Mahila Samaykhyas of Kurapam of Vizianagaram and Paderu of Visakhapatnam District under this company have received awards from President of India for Bronze and Gold Shield Awards for Rural Distribution Franchisee Performance Award.

### **CUSTOMER SERVICE**

Your company dedicates itself to efficient and timely customer service and the following initiatives were further launched during the year.

- \* As a part of achievements Highlights optimum satisfaction, Telephone Feedback / Postal feedback is being obtained at random from the consumers on prompt release of new services adhering the APERC guidelines and resolution of fuse of calls and billing complaints etc.,
- \* IVRS is introduced in the customer service center, Siripuram to register fuse of call complaints through both IVRS system and operator with enquiry of bill amount, status of CSC complaints registered.
- \* ATPM is introduced at MVP area in addition to the existing 3 Nos ATPMs and most of the consumers of MVP area are utilizing this ATPM facility.
- \* EPDCL has initiated a unique concept of Multi Utility Mobile Van a Hi – Tech Van that provides on site services to its customers who live especially in rural / remote areas. Other services envisaged include new applications processing complaints registration etc.
- \* Standardization of Customer service Centers in respect of Manpower and Infrastructure etc.,
- \* ISO Certification is extended to all Stage – II CSCs in the year 2009-10 by M/s TUV Rheinland Pvt Limited in addition Stage – I CSCs already certified in the year 2006 and it is being continued.

### **INFORMATION TECHNOLOGY**

Your Company continues to explore various modes to utilize technological developments for improving operational efficiency and customer care. Some of the highlights are:

- \* Network Security Audit : Most of the applications like EPIMRS, Bill Track are accessed through network from section offices, EROs and Call Centers. Hence availability, integrity and confidentiality of information are paramount concerns today. The objective of performing network audit is to review the network architecture, to assess the current state of security of the IT infrastructure, prepare a road map for better performance of network devices, users and network, bandwidth utilization and power distribution.
- \* Upgradation of SAP from 4.7 to ECC6.0 : There are four basic components in SAP ECC 6.0 for which hard ware is to be procured to house the applications and implement SAP.

- a) Enterprise Central Component (ECC) is the main component where in the entire data of Discom resides and from where the details fetched and processed.
  - b) Business warehouse (BW) is for data warehousing.
  - c) Governance risk and control (GRC) is the component for risk analysis and system administration.
  - d) Enterprise portal (EP) is the enterprise portal which is similar to the mail server. The above three components will be inside the firewall and this component will be outside the firewall, implying that the activities/processes of this server cannot be clubbed with that of others.
- \* Establishing Data centre : The environment of present server room is not conducive for healthy operation and maintenance of the servers. Of late there were instances when the new corporate servers were getting shutdown abruptly due to insufficient cooling. Hence establishing data center in APEPDCL Corporate office is necessitated to safeguard the IT infrastructure in the server room. To establish the data center provision like Electrical distribution, FM-200 and Fire Alarm system , precision A.C, Back up with 30KVA UPS, Network connectivity, Waterleak Detection system, Rodent control system, Access control system and Facility management system were proposed in the scope of work.
  - \* Establishing Data security for EPDCL including ISO 27001 certification: The objective of establishing an enterprise data security policy for EPDCL is assessing effectiveness of the existing systems and gap analysis vis-à-vis ISO/ISMS clauses / requirements, conducting awareness programme, documentation etc and the lead-up work in preparation for ISO / ISMS certification.
  - \* Standardization of Collections in EPDCL : An application has been developed for standardizing the collections from various collection agencies like AP Online, TIMES, e-seva Bill desk etc.

#### **CONSUMER GRIEVANCES REDRESSAL FORUM**

- \* During the year 387 Complaints have been received out of which 371 complaints have been resolved.
- \* Forum has conducted 20 consumer awareness programmes during the year.

#### **HUMAN RESOURCE DEVELOPMENT ACTIVITIES**

- \* The training activities were kept at high momentum and performance of the Training mandays for the year stood at 86.65% in 2008-2009.
- \* The Rule of Reservation is followed both in promotions and recruitment.
- \* Industrial harmony was maintained through out the year and continuous interaction with respective unions / Associations were maintained.
- \* Motivational steps such as Non – Monetary Rewards, encouragement by commendation Certificates etc., were maintained.



### **ACKNOWLEDGEMENTS**

Your Directors acknowledge the invaluable support and co-operation of the Chairman & Managing Director, APTRANSCO and Chairman & Managing Directors of sister Distribution Companies. We Welcome Sri Ajay Jain, IAS, as Non Whole Time Director, Sri B. Umakara Rao, as Non Whole Time Director, Sri V.Krishna Murthy, Director (Plg.) and Sri P.Hari Prasad, Director (Finance) who were appointed on the Board, by the Govt. of Andhra Pradesh. We also place on record our appreciation for the excellent contribution rendered by Sri K.Vijayanand, IAS, as Non Whole Time Director during his tenure as Director on the Board. 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 and look forward to their continued support in the future. We also wish to congratulate the employees as well as the Employee's Unions and the Engineers' and Officers' Association of APEPDCL, for their invaluable services.

For and on behalf of the board

  
Gulzar.N, I.A.S  
Chairman & Managing Director



# Eastern Power

Distribution Company of A.P. Ltd

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...committed to **gROW**

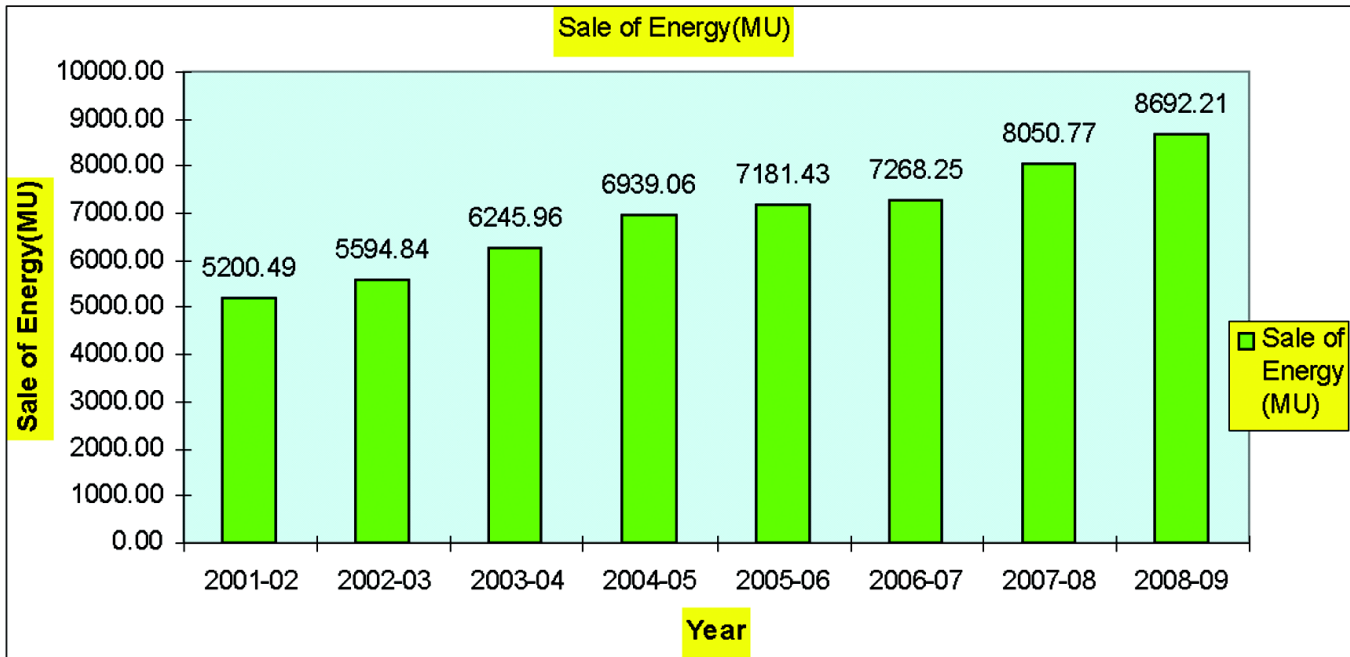


"Energy and persistence conquer all things"

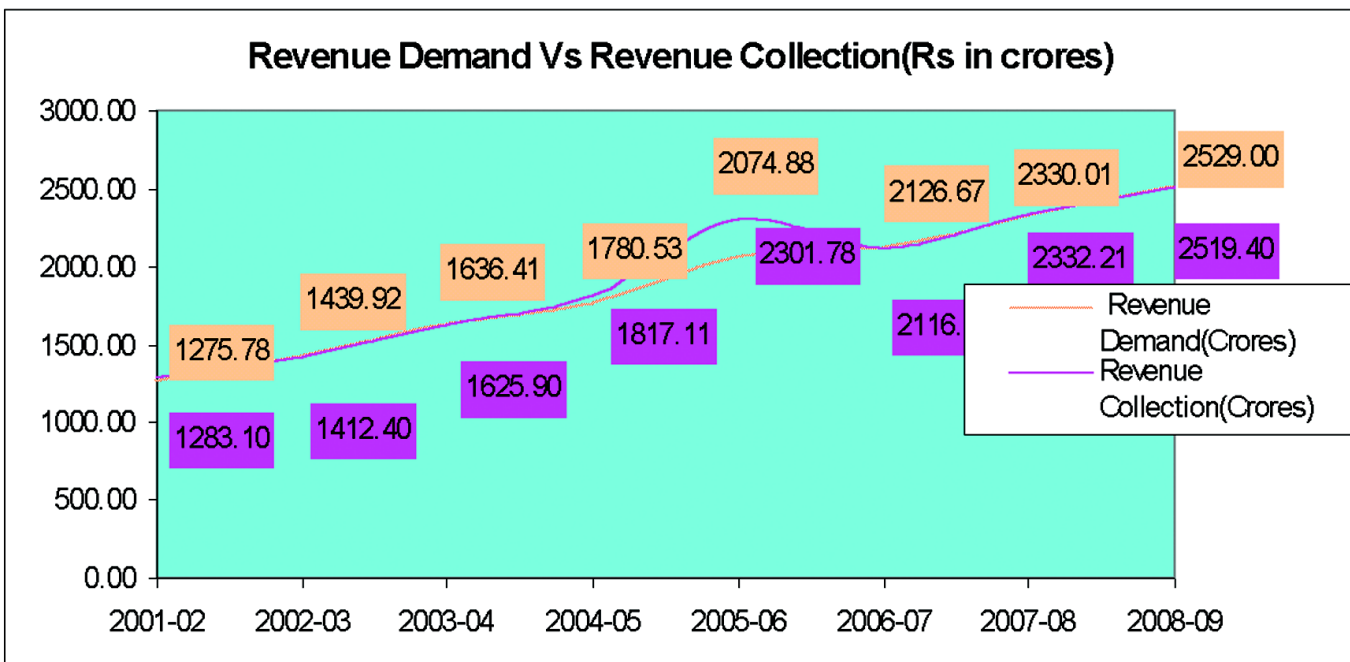
- Benjamin Franklin

*Energy Saved is ...*

*Energy Produced*



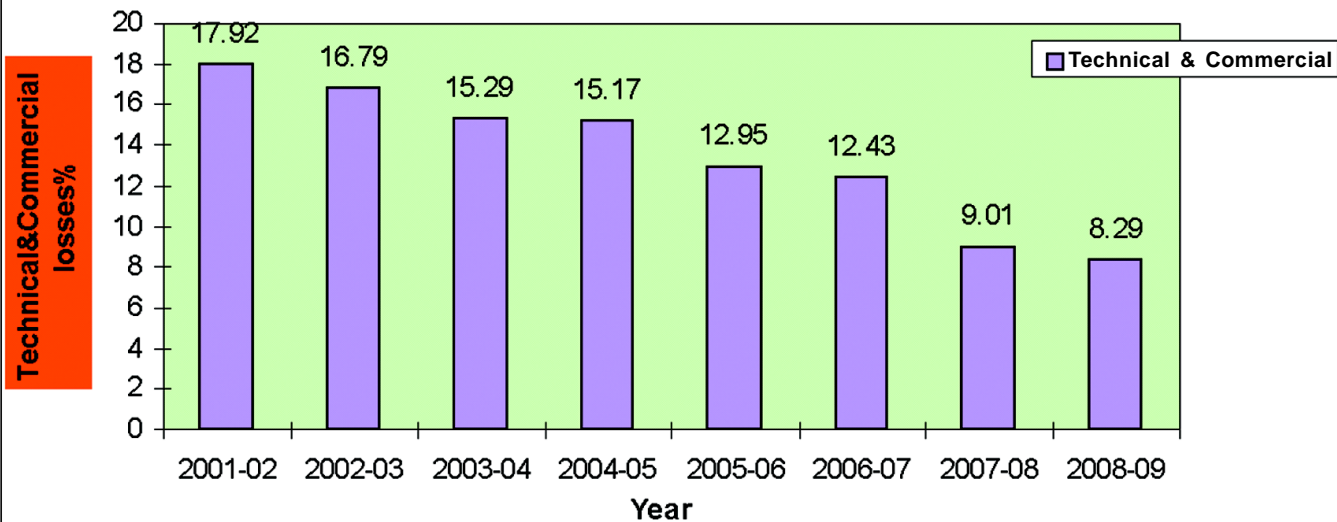
YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sale of Energy(MU)	4968.50	5200.49	5594.84	6245.96	6939.06	7181.43	7268.25	8050.77	8692.21



YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Demand(Crores)	1197.31	1275.78	1439.92	1636.41	1780.53	2074.88	2126.67	2330.01	2529.00
Revenue Collection(Crores)	1170.45	1283.10	1412.40	1625.90	1817.11	2301.78	2116.62	2332.21	2519.40

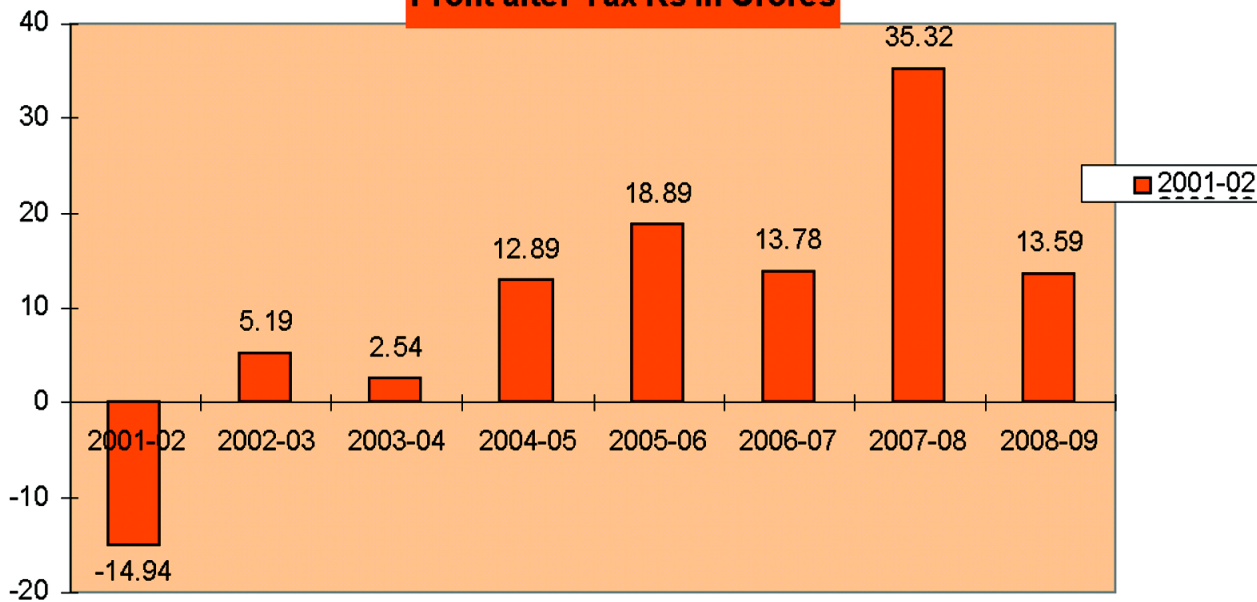


**Technical&Commercial losses %**



YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Technical&Commercial losses %	17.91	17.92	16.79	15.29	15.17	12.95	12.43	9.01	8.29

**Profit after Tax Rs in Crores**

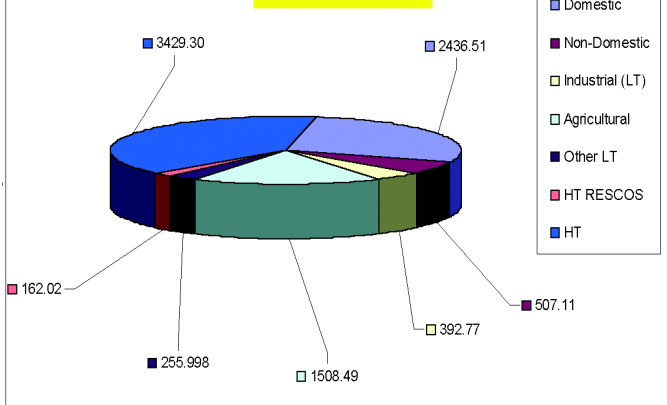


YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Profit after Tax	0	-14.94	5.19	2.54	12.89	18.89	13.78	35.32	13.59

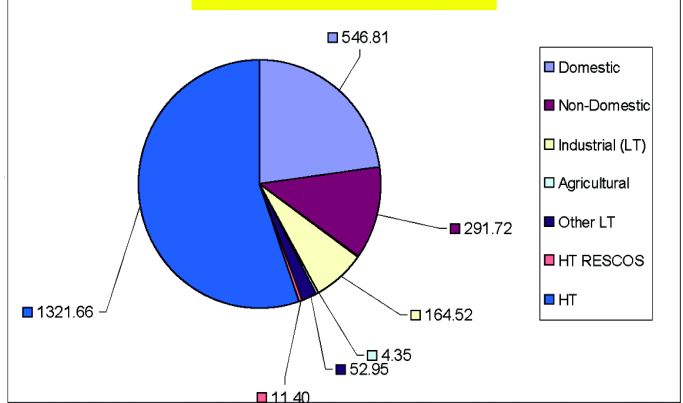
**SALES AND REVENUE - CATEGORY WISE**  
**2008-09**

Particulars	SALES		REVENUE	
	MU	%	Rs. Crores	%
Domestic	2436.51	28.03	546.81	22.85
Non-Domestic	507.11	5.83	291.72	12.19
Industrial (LT)	392.77	4.52	164.52	6.87
Agricultural	1508.49	17.35	4.35	0.18
Other LT	255.998	2.95	52.95	2.21
HT RESCOS	162.02	1.86	11.40	0.48
HT	3429.30	39.45	1321.66	55.22
<b>TOTAL</b>	<b>8692.20</b>	<b>100.00</b>	<b>2393.41</b>	<b>100.00</b>

**CAT-WISE SALES**



**CATEGORY WISE REVENUE**





**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 ANDHRA PRADESH LIMITED, VISAKHAPATNAM FOR THE YEAR ENDED 31 MARCH 2009.**

The preparation of financial statements of Eastern Power Distribution Company of Andhra Pradesh Limited, Visakhapatnam for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 July 2009.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Eastern Power Distribution Company of Andhra Pradesh Limited, Visakhapatnam for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report and **the effect of these comments resulted in the profit of Rs. 20.62 crore turning into Loss of Rs. 5.18 crore.**

**A. Comments on Profitability:**

**Revenue Account**

**Expenditure**

**Purchase of Power (Sch.6): Rs.2953.09 crore**

1. The above is understated by Rs.15.76 crore due to incorrect accountal of refund of income tax by National Thermal Power Corporation (NTPC) in June 2009 (pertaining to the years 2001 and 2002) as reduction in power purchase cost. Since the refund neither pertains to 2008-09 nor was it received in that year, accounting of the same in 2008-09 is not correct. This has resulted in understatement of "Other Current Liabilities - A.P. Transco and power purchase liability" and overstatement of "Profit before Tax" by Rs.15.76 crore.



2. The above is understated by Rs. 8.55 crore due to non-accountal of Thermal incentive claimed by APGENCO. This has resulted in understatement of “Other Current Liabilities – A.P. Transco and power purchase liability” and overstatement of “Profit before Tax” by Rs. 8.55 crore.
3. The above is understated by Rs.10.61 lakh due to non accountal of Unscheduled Interchange (UI) charges payable to Southern Regional Power Committee, Bangalore. This has resulted in understatement of “Other Current Liabilities - A.P. Transco and power purchase liability” and overstatement of “Profit before Tax” by Rs.10.61 lakh.
4. The above is overstated by Rs. 1.01 crore due to non-accountal of credit towards Fuel Cost Adjustment (FCA) relating to 4<sup>th</sup> quarter of 2008-09, passed on by APGENCO. This has resulted in overstatement of “Other Current Liabilities – A.P. Transco and power purchase liability” and understatement of “Profit before Tax” by Rs. 1.01 crore.

### **Balance Sheet**

#### **Total Current Assets**

#### **Receivables against supply of power (Sch. 26(b))**

#### **Sundry Debtors for Sale of Power: Rs.147.60 crore**

5. The above includes Rs.2.39 crore being the energy charges pertaining to auxiliary consumption of Kalpaka 400 KV switching station up to August 2005. As per the procedure in vogue, auxiliary consumption of switching stations of APTRANSCO was being adjusted in energy exchange between APTRANSCO and the Company and no billing is done. Non-withdrawal of this amount resulted in overstatement of “Sundry Debtors for sale of power” and “Profit before Tax” and understatement of “Other Debits - Provision for doubtful dues from consumers” by Rs.2.39 crore.

### **B. Comments on Financial position:**

#### **Balance Sheet**

#### **Net Assets**

#### **Net Fixed Assets (Sch.19)**

#### **Land and Land rights: Rs. 81.38 crore**

6. The above includes Rs.77.93 crore being the value of certain lands capitalized during the year. These lands were given to the company free of cost by the Government for construction of sub stations. Though these lands were under the possession of the company for the past several years these were brought into books at the present market value during 2008-09. Capitalization and accountal of lands received free of cost at current market value is in deviation to the accounting policy 2.2 (Statement 4) of the Company, which states that ‘fixed assets are recorded at historical cost which implies that no revaluation of fixed assets is



done for adjusting them to replacement cost, current cost, etc.' and Accounting Standard 12 'Accounting for Government Grants'. This has resulted in overstatement of "Net fixed assets- Land and Land rights" and "Reserve and Reserve Funds – Capital Reserve" by Rs.77.93 crore.

**Capital Expenditure in Progress (Sch.21) Rs.194.11 crore**

7. The above is understated by Rs. 77.98 lakh due to non-accountal of cost of SAP license fee for 6.0 version. This has resulted in understatement of "Other Current Liabilities - Liability for Capital Supplies/ Works" by similar amount.

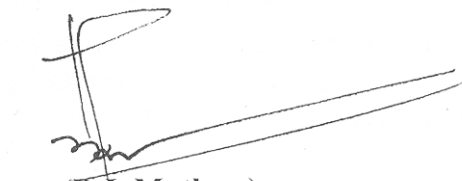
**C. Comments on Disclosure:**

**Notes to Accounts (Statement-5)**

**Note No. 21 – Court Cases/Legal disputes/Contingent Liabilities:**

8. APGENCO claimed Rs. 87 lakh towards cost of Infirm power supplied from Jurala Hydel Project in their monthly bills, which is being contested by the company. The company has neither provided for the liability in the accounts nor disclosed the same under Contingent Liabilities.

For and on the behalf of  
the Comptroller and Auditor General of India

  
(P.J. Mathew)  
Accountant General (C&RA)

Place: Hyderabad

Date : 24.09.2009



## EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED

### CORPORATE OFFICE :: VISAKHAPATNAM

REPLIES OF THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31 MARCH 2009.

Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
<b>A.</b>	<b>Comments on Profitability:</b>	
1	<p><b>Revenue Account Expenditure</b> <b>Purchase of Power (Sch.6): Rs.2953.09 crore</b> The above is understated by Rs.15.76 crore due to incorrect account of refund of income tax by National Thermal Power Corporation (NTPC) in June 2009 (pertaining to the years 2001 and 2002) as reduction in power purchase cost. Since the refund neither pertains to 2008-09 nor was it received in that year, accounting of the same in 2008-09 is not correct. This has resulted in understatement of "Other Current Liabilities - A.P. Transco and power purchase liability" and overstatement of "Profit before Tax" by Rs.15.76crore.</p>	<p>Initially expenditure on Purchase of Power as billed by NTPC including income tax was accounted and charged to revenue. Subsequently NTPC reduced the claim and gave credit to the company as the claim was at higher amount.</p> <p>Income tax refund received by NTPC has been passed on to the Company by way of adjustment in the power bill of May 2009. As reduction of cost of power relates to period prior to 31/03/2009, it is correctly accounted as on 31/03/2009 to adjust the excess purchase accounted earlier. This is an important event occurred after the Balances Sheet date for the position existing on 31/03/2009, hence to be accounted in 08-09 only as the expenditure was already accounted at higher amounts</p> <p>As the amount is adjusted and certainty of the receipt is established and further these benefits relate to power purchase of earlier period, the same have been accounted in 2008-09.</p>
2.	<p>The above is understated by Rs. 8.55 crore due to non-account of Thermal incentive claimed by APGENCO. This has resulted in understatement of "Other Current Liabilities – A.P. Transco and power purchase liability" and overstatement of "Profit before Tax" by Rs. 8.55 crore.</p>	<p>The thermal incentive claim of Rs 8.55 crore by M/s APGENCO is not accounted as a liability as the related regulation no 1 of tariff order is yet to be made effective by APERC. Such claims from APGENCO will be accounted as liability in the period when the regulation 1 is made effective as it is then the liability crystallizes and is quantifiable.</p>



Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
		<p>M/s APGENCO claim towards cost of infirm power supply form Jurala Hydro Project , Unit I for the period 31.03.08 to 18.08.08 and Unit II for the period 31.08.08 to 29.11.08 amounting to Rs 0.870 crore is not accounted as a liability for the following reasons</p> <ol style="list-style-type: none"><li>1. Such claim is based on the Article 2.1 (a) of the Draft PPA which envisages infirm power cost at the rate of lowest variable cost of APGENCO thermal stations. The Jurala project being a Hydel project such infirm power cost is not applicable</li><li>2. The PPA in vogue is only a draft and is yet to be made final subject to the consent of APERC</li><li>3. Moreover the infirm power for Hydel station are not normally paid unlike in thermal stations wherein there will be coal and secondary fuel cost.</li><li>4. The same is being contested by the Company and payment is released to M/s APGENCO after reducing from the bills the amount towards infirm power supply.</li></ol>
3.	<p>The above is understated by Rs.10.61 lakh due to non accountal of Unscheduled Interchange (UI) charges payable to Southern Regional Power Committee, Bangalore. This has resulted in understatement of "Other Current Liabilities - A.P. Transco and power purchase liability" and overstatement of "Profit before Tax" by Rs.10.61 lakh.</p>	<p>The claim on account of the above period is accounted as prior period expenditure (A/c Head 83-100) in the F.Y. 2009-10. Further we may submit the charges relates to previous years and not relating to 08-09.</p>
4.	<p>The above is overstated by Rs. 1.01 crore due to non-accountal of credit towards Fuel Cost Adjustment (FCA) relating to 4th quarter of 2008-09,</p>	<p>The audit comment is noted.</p>



Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
	passed on by APGENCO. This has resulted in overstatement of "Other Current Liabilities – A.P. Transco and power purchase liability" and understatement of "Profit before Tax" by Rs. 1.01 crore.	
5.	<p><b>Balance Sheet</b> <b>Total Current Assets</b> <b>Receivables against supply of power (Sch. 26(b))</b> <b><u>Sundry Debtors for Sale of Power: Rs.147.60 crore</u></b></p> <p>The above includes Rs.2.39 crore being the energy charges pertaining to auxiliary consumption of Kalpaka 400 KV switching station up to August 2005. As per the procedure in vogue, auxiliary consumption of switching stations of APTRANSCO was being adjusted in energy exchange between APTRANSCO and the Company and no billing is done. Non-withdrawal of this amount resulted in overstatement of "Sundry Debtors for sale of power" and "Profit before Tax" and understatement of "Other Debits - Provision for doubtful dues from consumers" by Rs.2.39 crore.</p>	Necessary adjustment will be made in 2009-10.
<b>B.</b>	<b>Comments on Financial Position:</b>	
6.	<p><b>Balance Sheet</b> <b>Net Assets</b> <b>Net Fixed Assets (Sch.19)</b> <b><u>Land and Land rights: Rs. 81.38 crore</u></b></p> <p>The above includes Rs.77.93 crore being the value of certain lands capitalized during the year. These lands were given to the company free of cost by the Government for construction of sub stations. Though these lands were under the possession of the company for the past several years these were brought into books at the present market value during 2008-09. Capitalization and accountal of lands received free of cost at current market</p>	As per the direction given by the Audit Committee, management has decided to capitalize lands of sub-stations where land provided by the panchayats / local bodies by a process of taking value and obtaining possession certificates from revenue authorities.





Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
	value is in deviation to the accounting policy 2.2 (Statement 4) of the Company, which states that 'fixed assets are recorded at historical cost which implies that no revaluation of fixed assets is done for adjusting them to replacement cost, current cost, etc.' and Accounting Standard 12 'Accounting for Government Grants'. This has resulted in overstatement of "Net fixed assets- Land and Land rights" and "Reserve and Reserve Funds – Capital Reserve" by Rs.77.93 crore.	
7.	<p><b><u>Capital Expenditure in Progress (Sch.21)</u></b> <b><u>Rs.194.11 crore</u></b></p> <p>The above is understated by Rs. 77.98 lakh due to non-accountal of cost of SAP license fee for 6.0 version. This has resulted in understatement of "Other Current Liabilities - Liability for Capital Supplies/ Works" by similar amount.</p>	<p>APCPDCL, the coordinating Company has paid the SAP License fee for 6.0 version on 13.4.09 and communicated to EPDCL for payment of share of EPDCL on 25.05.09. EPDCL has reimbursed the amount to CPDCL on 16.06.09.</p> <p>The actual usage of these licenses will be made only after the training period is completed. Training for SAP 6.0 version has commenced from 06.04.09 and still going on.</p> <p>The capitalization of expenses towards implementation of SAP 6.0 version will be done in 2009-10 considering the various components of cost and stage of completion.</p>
C.	<b>Comments on Disclosure:</b>	
8.	<p><b><u>Notes to Accounts (Statement-5)</u></b> <b><u>Note No. 21 – Court Cases/Legal disputes/Contingent Liabilities:</u></b></p> <p>APGENCO claimed Rs. 87 lakh towards cost of Infirm power supplied from Jurala Hydel Project in their monthly bills, which is being contested by the company. The company has neither provided for the liability in the accounts nor disclosed the same under Contingent Liabilities.</p>	Noted.



**SATYANARAYANA & CO.**  
CHARTERED ACCOUNTANTS

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## **AUDITORS' REPORT**

TO  
THE MEMBERS OF  
EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.  
VISA KHAPATNAM

1. We have audited the attached Balance Sheet of **EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.**, as at 31<sup>st</sup> March, 2009, Revenue Account for the year ended on that date annexed thereto, and also the cash flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We 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.
3. As required by the Companies Auditor's Report Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order
4. Further to our comments given in the annexure referred to in paragraph 3 above, attention is invited to the following items of Significant Accounting Policies and Notes to the Accounts:
  - i) The Company is governed by the Electricity Act, 2003. The provisions of the Electricity Act, 2003 read with the rules made there under prevails wherever the same are inconsistent with the provisions of the Companies Act, 1956 in terms of Section 174 of the Electricity Act, 2003. The annual accounts have been prepared in the format prescribed under Electricity (Supply) (Annual Accounts) Rules, 1985 (hereinafter referred to as ESAAR) in accordance with the Section 185 (2) (d) of Electricity Act, 2003, and not as per the requirements of Schedule VI to the Companies Act, 1956. The accounting principles and policies enunciated in the ESAAR 1985 followed by the company are not in total consonance with the Accounting Standards referred to in section 211 (3C) of the Companies Act 1956.
  - ii) **Accounting Standard-2: The company has valued the inventory of Capital Stores and decapitalised equipment, included in the inventory at Weighted average cost instead of at cost / lower of net realisable value or cost, as contemplated in AS-2 Valuation of Inventories.**



**The Impact thereof could not be ascertained. The Company has also identified obsolete/non-moving/scraped inventory valued at Rs. 596.44 lakhs, the value of which is as estimated by the management and relied upon by us.**

- iii) Depreciation on Fixed Assets: Reference is invited to Note No. 9, Provision for Depreciation on Fixed Assets is charged under SLM method, on the basis of rates prescribed by the Central Government, vide notification No. S.O.265 (E) dated 29<sup>th</sup> March 1994. **However the rates adopted are less than the minimum rates prescribed in Schedule XIV of the companies Act.**
- iv) **Accounting for Fixed Assets –AS 10. Reference is invited to Significant Accounting Policy No. 2.9 and to Note No. 2: instead of determining expenses attributable to the specific Assets for the purpose of capitalisation, the company has on an adhoc basis capitalized 10% of the value of Assets amounting to Rs. 2260.37 lakhs by reducing the revenue expenses, which is not in line with the provisions of AS-10. The impact thereof on the Fixed Assets, depreciation and on the revenue expenses could not be ascertained.**
- v) **Reference is invited to Significant Accounting Policy No. 2.24 and to Note No. 12 regarding Consumer contributed Assets created out of consumer contribution. The adjustment for depreciation to total assets was made on the basis of proportionate value of the assets built out of consumer contribution instead of calculating depreciation on identifiable individual contribution to assets.**
- vi) The Company has capitalized land to the extent of Rs.77.93 Crores adopting market value with a corresponding credit to capital reserves. Such lands were handed over free of cost by different Panchayatis to APSEB under a sanction for the construction of sub-stations. According to AS-12 'Accounting for Government grant', non-monetary assets granted at free of cost are to be valued at nominal value. These represent land in the possession in the Company for which MRO certificates are available. In addition, certain land in possession of the company is neither identified nor brought into books. **We are not in a position to express any opinion on the correctness or otherwise of the accounting and value adopted and the ownership of the land in possession of the company.**
- vii) **The Company has not made disclosures as required under AS – 15 (revised) Employee Benefits.**
- viii) **The company has capitalized interest on borrowed funds at a predetermined rate instead of attributable interest as per the provisions of AS -16.**
- ix) **The disclosures as required under AS – 17 Segment reporting are not made.**
- x) **The company has not ascertained and accounted deferred tax liability / deferred tax assets as per the requirements of AS-22. Thus AS-22 is not complied with regarding accounting and disclosures relating to Deferred Tax Liability / Asset.**

**The impact of the (i) to (x) above, on the financial statements is not determinable.**



**5. Our comments on the accounts are as under:**

- i) The Assets and liabilities of the company as on 31.03.2009 contain balances transferred under the second transfer scheme under A.P Gazette Notification No 109, dated 29<sup>th</sup> September 2001. The details of all assets and liabilities are given as block figures under major group heads in the said Gazette Notification. **The item wise details of every account under each group are reported to be in the process of ascertainment. The assets and liabilities accounted as per third transfer scheme is subject to reconciliation with APTRANSCO.**
- ii) **As per accounting policy 2.30 capitalisation of assets shall be done on issue of work completion certificate. However in some cases capitalization has been done for which work completion certificates have not been made available for our verification. Further we have noticed that capitalization has been done only to the extent of bills received and accounted. In respect of bills not received relating to such works, no liabilities is ascertained and accounted. Thus the excess / undercapitalization and consequential depreciation is not determinable.**
- iii) **The details of project wise breakup of Capital Work In Progress as on 31/03/2009 were not made available to us. In the absence of details we are not in a position to confirm the correctness or otherwise of the projects capitalized, reasons for long pending projects and projects where there is on progress. The impact if any on such projects could not be ascertained.**
- iv) **Sundry Debtors: The Company has not furnished the details of reconciliation of balances between customer ledgers and the Financial Ledger and also not furnished age wise / cause wise breakup of dues from customers particularly in respect of long outstanding dues. Further there is no system or procedure of obtaining confirmation of balances from customers and there is no proper system of review for identifying doubtful dues particularly arising out of disputed and long pending dues. In the absence of the above, we are not in a position to quantify the provision required for irrecoverable / doubtful dues and the consequential impact thereof on the financial statements.**  
**Further, security deposit from consumers of Rs. 53125.88 lakhs is subject to reconciliation with customer's ledger and confirmation.**
- v) Reference is invited to note no.18 The Government of Andhra Pradesh announced Third Transfer Scheme in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred from APTRANSCO to the four Distribution Companies in specified ratio. This scheme was effective from 9<sup>th</sup> June 2005. In order to facilitate purchase and trading of power, the Government constituted one apex committee and two sub committees. These committees intimates the distribution companies their share of cost of purchase of power, expenses incurred and sale of power to regional and other electricity boards/companies, on a monthly basis.
  - a) **The monthly statements of purchase, expenses and sale as intimated by the committee are incorporated in the books of the Company and have been accepted by us. It may be mentioned**



that these committees are not legal entities and the figures are yet to be certified by the independent agency.

- b) Balances with Power Generators/Traders, other distribution companies, Loans and advances and deposits are subject to confirmation.
- c) The balance of Rs.393.09 crores in pool imbalance account is subject to reconciliation and confirmation.
- d) By virtue of Third Transfer scheme all rights and obligations existing as on 09.06.2005 in respect of Bulk supply Undertaking shall devolve upon the company. The contingent liability in respect of the same could not be ascertained.
- vi) Reference is invited to note No. 7 regarding amount receivable from Government of Andhra Pradesh amounting to Rs. 4.60 crores towards reimbursements of interest. The company has not explained the reasons for not accounting the interest receivable, though considered recoverable by the company as per the terms.
- vii) Reference is invited to Note No. 19, regarding the financial misappropriation and unauthorized credit in some EROs. In the opinion of the Management, the loss if any, on account of the above is not presently quantifiable and no provision has been made in the accounts. The impact of the above on the Revenue account could not be ascertained.
- viii) Non confirmation of balances:
- a) Amount payable to AP Transco & Other IPPs' Rs. 343.30 Crores, which is shown as liability on power purchase & Fuel Surcharge Adjustment, is subject to Confirmation.
- b) The Company has not furnished details in respect of liability for sundry creditors for Capital and O&M supplies of Rs. 62.79 crores and such balances are also subject to confirmation.
- c) The inter unit balances shows a net un reconciled credit balance of Rs. 21.87 crores
- d) We have observed un reconciled debits and credits in the bank reconciliation statements for which no proper explanation has been given by the company. Further the differences, if any, between the bank balances as per SAP accounting system and manual Cash books, have not been ascertained and explained.
- e) The Balances appearing under sundry advances, creditors, loans, inter corporate deposits are subject to confirmation/reconciliation.
- In the absence of confirmation of balances and /or reconciliation in respect of the above we are not in a position to quantify the consequential impact on the accounts.
- ix) The company has not identified the name & amount payable to the 'Small, Micro, Medium Enterprises (SMEs). Whether the amount was paid on due date or not is not ascertained. The company has not provided interest, if any payable to SMEs for delay of payment as required under SME Act, 2006.
- The cumulative impact of the above comments (i) to (ix) above on the financial statements is not determinable.



6. **Subject to the above, we report that:**

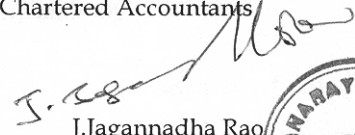
- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit,
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of such books
- The Balance Sheet and Revenue account dealt with by this report are in agreement with the Books of Account **subject to the following observation:**

**The Company has taken the audited balances from the previous financial year in respect of schedules 19 to 35 and adjusted the same for the gross debit and credit balances of current year obtained from SAP accounting system and drawn the Annual Accounts based on the closing balances thus derived outside the SAP accounting System.**

- The Balance Sheet and the Revenue Account dealt with by this report comply with the requirements of the Accounting Standards **except to the extent deviations expressed in paragraphs (4) above in so far as they relate to AS 2 on valuation of inventories, AS 6 on depreciation accounting, AS 10 on accounting for Fixed assets, AS 12 on Accounting for Grants, AS 15(Revised) on Employee Benefits, AS 16 on Borrowing cost, AS 17 on Segment reporting, AS 22 accounting for Taxes on income.**
- As per Notification no.: GSR 829(E) dated 21-10-2003, the Government Companies are exempted from the provisions of clause 274(1) (g) of the Companies Act, 1956;
- In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with Accounting Policies and Notes thereon, **but however subject to the observations given in paragraph 3 and subject to our comments given in paragraph 4 and 5 above, the cumulative impact of which, on the Balance sheet and Revenue Account are not quantifiable,** 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
- in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009,
- in the case of Revenue Account, of the Surplus for the year ended 31<sup>st</sup> March, 2009 and
- in the case of Cash flow statement, of the cash flow of the Company for the year ended 31<sup>st</sup> March 2009.

Place: Hyderabad  
Date : 29/07/2009

For Satyanarayana & Co.,  
Chartered Accountants



J. Jagannadha Rao  
Partner  
Membership No.6239





## ANNEXURE TO THE AUDITOR'S REPORT

This is the annexure referred to paragraph 3 of our report of even date

- 1a. The company has not maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1b. We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.
- 1c. There has been no sale of substantial part of the fixed assets so as to affect its status as a going concern.
- 2a. The Inventory has been physically verified during the year by the Management in our opinion the frequency of verification is reasonable.
- 2b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2c. The company is maintaining proper records of inventory and the discrepancies noticed on verification between the physical stocks and the book records were not material.
3. The Company has not granted or taken any loans secured or unsecured to/from companies firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub clauses (b),(c),(d),(e),(f) and (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, the Internal Control Systems is commensurate with size of the company and nature of its business for purchase of Inventory, Fixed Assets and sale of Services. We have not observed any continuing failure to correct major weaknesses in internal controls. **However, the Internal control systems needs to be strengthened with regard to SAP implementation, reconciliation of accounts such as remittances in transit and inter unit accounts, accounting of capital and revenue work orders, review of debtors particularly long outstanding dues, obtaining balance confirmations from vendor and customers and reconciliation thereof with book balances and stores accounting.**
5. According to the information and explanations given to us, there are no transactions of purchases of goods or materials and sale of goods, materials and services, made in pursuance of contract or arrangement entered in the register maintained under section 301 of the companies act, 1956, as aggregating during the year to Rs.500000/- or more in respect of each party.
6. The company has not accepted deposits from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed there under.



7. The company has an internal audit system, covering all circles, the scope and coverage of which, in our opinion needs to be enlarged keeping in view the size of the organization and nature of its business. There is a need for “systems audit” of the new EDP environment with regard to SAP implementation and related areas. The internal audit may also cover compliances with the accounting standards, bank reconciliation procedures, reconciliation of sub ledger balances with control accounts.
8. According to the information and explanation given to us and on a broad review of the books of accounts maintained by the Company, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, we are of the opinion that prima facie the prescribed accounts and records are being maintained. However we have not made a detailed examination of the records.
- 9a. According to the books and records produced to and examined by us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues applicable to the Company.
- 9b. According to the information and explanation given to us and records of the company examined by us, there are no undisputed statutory dues including Provident fund, income tax, wealth tax, custom duty, excise duty, cess, service tax and electricity duty outstanding more than six months from the date they became payable except in respect of the dues of electricity duty for which details and age wise outstanding of taxes are not available as at 31<sup>st</sup> March, 2009. **In respect of disputed statutory liabilities, the details are as under:**
- | Amount involved<br>Rs. in Crores | Nature of statutory liability | Year      | Forum of dispute |
|----------------------------------|-------------------------------|-----------|------------------|
| 6.58                             | Entry Tax                     | 2002      | APSTAT           |
| 10.20                            | Income tax                    | 2001-02   | ITAT             |
| 1.37                             | Income tax                    | 2003-04   | ITAT             |
| 1.77                             | Income tax                    | 2004-05   | ITAT             |
| 5.69                             | Income tax                    | 2005-06   | CIT              |
| 1.45                             | Income tax                    | 2006-07   | CIT              |
| 0.20                             | Excise Duty                   | 1993-2003 | CE&STAT          |
| 2.56                             | PF – Contract Labour          | 2000-2005 | EPF TRIBUNAL     |
10. The company has no accumulated losses as at 31<sup>st</sup> March 2009 and it has not incurred cash losses in the financial year ended as on the date or in the immediately preceding financial year.
11. According to the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.





- 12 According to the information and explanation given to us, the company has not granted any loans or advances against pledge of shares, debentures or other securities. There are no borrowings by way of debentures.
- 13 In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- 14 Based on our examination of records and information and explanations given to us, the company has not dealt/traded in shares, securities, debentures and other investments during the year.
- 15 According to the information and explanations given to us, the company has not given any guarantee for loans taken by other from banks or financial institutions.
- 16 In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which the loans are obtained.
- 17 The company has not utilized the funds raised on short term basis for long term requirements.
- 18 The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19 The company did not have any outstanding debentures during the year.
- 20 The company has not raised any money through public issue.
- 21 Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year. However reference is invited to note 19 regarding frauds committed in earlier years which are reported to be under investigation.

Place: Hyderabad  
Date : 29/07/2009

For Satyanarayana & Co.,  
Chartered Accountants

J. Jagannadha Rao  
Partner  
Membership No.6239





## EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED

### CORPORATE OFFICE :: VISAKHAPATNAM

#### REPLIES OF THE COMPANY TO THE COMMENTS OF THE STATUTORY AUDITORS CONTAINED IN THEIR REPORT FOR THE YEAR 2008-09

Sl. No.	Statutory Auditors Comments	Reply of the Company
1.	The Company is governed by the Electricity Act, 2003. The provisions of the Electricity Act, 2003 read with the rules made there under prevails wherever the same are inconsistent with the provisions of the Companies Act, 1956 in terms of Section 174 of the Electricity Act, 2003. The annual accounts have been prepared in the format prescribed under Electricity (Supply) (Annual Accounts) Rules, 1985 (hereinafter referred to as ESAAR), and not as per the requirements of Schedule VI to the Companies Act, 1956 The accounting principles and polices enunciated in the ESAAR 1985 followed by the company are not in total consonance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act. 1956.	Significant Accounting Polices adopted in the preparation and presentation of financial statements is mentioned in the notes to accounts. However, continuous efforts are made to improve upon the requirement of Accounting Standards issued by the Institute of Chartered Accountants of India.
2.	Accounting Standard-2: The company has valued the inventory of Capital Stores and decapitalised equipment, included in the inventory at Weighted average cost instead of at cost / lower of net realizable value or cost, as contemplated in AS-2 Valuation of Inventories. The Impact thereof could not be ascertained. The Company has also identified absolute/non-moving/scraped inventory valued at Rs. 596.44 lakhs, the value of which is as estimated by the management and relied upon by us.	It is difficult to ascertain market value of all items in stores as on 31.03.2009. Further most of the items are purchased during the year and their realizable value is more than the cost.
3.	Depreciation on Fixed Assets: Reference is invited to Note No. 9, Provision for Depreciation on Fixed Assets is charged under SLM method, on the basis of rates prescribed by the Central Government, vide notification No. S.O. 265 (E) dated 29 <sup>th</sup> March 1994. However the rates adopted are less than the minimum rates prescribed in Schedule XIV of the companies Act.	The company is consistently following ESAAR and Depreciation rates adopted as notified by the Ministry of power, Govt. of India.



Sl. No.	Statutory Auditors Comments	Reply of the Company
4	Accounting for Fixed Assets – AS 10: Reference is invited to Significant Accounting Policy No. 2.9 and to Note No. 2: instead of determining expenses attributable to the specific Assets for the purpose of capitalization, the company has on an adhoc basis capitalized 10% of the value of Assets amounting to Rs. 2260.37 lakhs by reducing the revenue expenses, which is not in line with the provisions of AS-10. The impact therefore on the Fixed Assets, depreciation and on the revenue expenses could not be ascertained.	The rate of 10% towards capitalization of employees cost has been decided in the Board of Directors meeting held on 31.3.2008., after studying the practical issues etc., viz, appropriate no. of officers and staff with infrastructure expenses engaged in the capital works.
5.	Reference is invited to Significant Accounting Policy No. 2.24 and to Note No. 12 regarding Consumer contributed Assets created out of consumer contribution. The adjustment for depreciation to total assets was made on the basis of proportionate value of the assets built out of consumer contribution instead of calculating depreciation on identifiable individual contribution to assets.	It is difficult to match consumer contribution with the assets created out of such contributions, hence depreciation has been adjusted based on the proportionate value of the assets build out of consumer contribution
6.	The Company has capitalized land to the extent of Rs. 77.93 crores adopting market value with a corresponding credit to capital reserves. Such lands were handed over free of cost by different Panchayatis to APSEB under a sanction for the construction of Sub-stations. According to AS-12 'Accounting for Government grant', non-monetary assets granted at free of cost are to be valued at nominal value. These represent land in the possession in the Company for which MRO certificates are available. In addition, certain land in possession of the company is neither identified nor brought into books. We are not in position to express any opinion on the correctness or otherwise of the accounting and value adopted and the ownership of the land in possession of the company.	As per the direction given by the Audit Committee, management has decided to capitalize lands of sub-stations where land provided by the panchayats / local bodies by a process of taking value and obtaining possession certificates from revenue authorities.



Sl. No.	Statutory Auditors Comments	Reply of the Company
7.	The Company has not made disclosures as required under AS – 15 (revised) Employee Benefits.	Noted
8.	The company has capitalized interest on borrowed funds at predetermined rate instead of attributable interest as per the provisions of AS -16.	The funding agency wise interest rates were adopted in SAP system as Interest indicators for IDC calculation.
9.	The disclosures as required under AS-17 Segment reporting are not made.	Company is doing only retail power distribution business and does not have any other business segments.
10.	The Company has not ascertained and accounted deferred tax liability / deferred tax assets as per the requirements of AS-22. Thus AS-22 is not complied with regarding accounting and disclosures relating to Deferred Tax Liability / Asset.	As there is a carried forward loss for the Company, as per the Income Tax return filed, the compliance will be taken care of at appropriate time.
11	The Assets and liabilities of the company as on 31.03.2009 contain balances transferred under the second transfer scheme under A.P Gazette Notification No. 109, dated 29 <sup>th</sup> September 2001. The details of all assets and liabilities are given as block figures under major group heads in the said Gazette Notification. The item wise details of every account under each group are reported to be in the process of ascertainment. The assets and liabilities accounted as per third transfer scheme is subject to reconciliation with AP Transco.	The item-wise details of every account under each group of assets and liabilities are ascertained and the differences between the book balances as available at unit/circle level and 2nd Transfer Scheme are in the process of analysis. The same is disclosed in note No. 6 of Notes to Accounts.
12.	As per accounting policy 2.30 capitalisation of assets shall be done on issue of work completion certificate. However in some cases capitalization has been done for which work completion certificates have not been made available for our verification. Further we have noticed that capitalization has been done only to the extent of bills received and accounted. In respect of bills not received relating to such works, no liabilities is ascertained and accounted.	In most of the cases the units are capitalizing the assets based on work completion certificates. However the necessary instructions are already issued to all unit officers to follow the procedure.



Sl. No.	Statutory Auditors Comments	Reply of the Company
	Thus the excess / undercapitalization and consequential depreciation is not determinable	
13.	The details of project wise breakup of Capital Work in progress as on 31.03.2009 were not made available to us. In the absence of details we are not in a position to confirm the correctness or otherwise of the projects capitalized reasons for long pending projects and projects where there is on progress. The impact if any on such projects could not be ascertained.	In the present version of SAP is having the provision of work order wise CWIP details are available. Now new module namely Project Systems is planned in ECC 6.0 version where in it will be taken care of.
14.	Sundry Debtors: The Company has not furnished the details of reconciliation of balances between customer ledgers and the Financial Ledger and also not furnished age wise / cause wise breakup of dues from customers particularly in respect of long outstanding dues. Further there no system or procedure of obtaining confirmation of balances from customers and there is no proper system or review for identifying doubtful dues particularly arising out of disputed and long pending dues. In the absence of the above, we are not in a position to quantify the provision required for irrecoverable / doubtful dues and the consequential impact thereof on the financial statements. Further, security deposit from consumers of Rs. 53125.88 lakhs is subject to reconciliation with customer's ledger and confirmation.	The reconciliation between consumer ledger and financial ledger is being done regularly.As there is enough provision available to taken care of the doubtful debts if any.Reconciliation of security deposit from consumers is being done regularly.
15.	Reference is invited to note No. 18 The Government of Andhra Pradesh announced Third Transfer Scheme in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred from APTRANSCO to the four Distribution Companies in specified ratio. This scheme was effective from 9 <sup>th</sup> June 2005. In order to facilitate purchase and trading of power, the Government constituted one apex committee and two	Noted



Sl. No.	Statutory Auditors Comments	Reply of the Company
a)	<p>sub committees. These committees intimates the distribution companies their share of cost of purchase of power, expenses incurred and sale of power to regional and other electricity boards/companies, on a monthly basis.</p> <p>The monthly statements of purchase, expenses and sale as intimated by the committee are incorporated in the books of the Company and have been accepted by us. It may be mentioned that these committees are not legal entities and the figures are yet to be certified by the independent agency.</p>	
b)	Balances with Power Generators/Traders, other distribution companies, Loans and Advances and deposits are subject to confirmation.	
c)	The balance of Rs. 393.09 crores in pool imbalance account is subject to reconciliation and confirmation.	
d)	By virtue of Third Transfer Scheme all rights and obligations existing as on 09.06.2005 in respect of Bulk supply Undertaking shall devolve upon the company. The contingent liability in respect of the same could not be ascertained.	
16.	Reference is invited to note No. 7 regarding amount receivable from Government of Andhra Pradesh amounting to Rs. 4.60 crores towards reimbursements of interest. The company has not explained the reasons for not accounting the interest receivable, though considered recoverable by the company as per the terms.	The matter was addressed to Government and the amount is being recovered from 2009-10 Plough back dues.
17.	Reference is invited to Note No. 19, regarding the financial misappropriation and unauthorized credits in some EROs. In the opinion of the Management, the loss if any, on account of the above is not presently quantifiable and no provision has been made in the accounts. The impact of the above on the Revenue account could not be ascertained.	A case wise details are already provided in Notes to Accounts and as the amount involved is recoverable. Hence provision has not been made.



Sl. No.	Statutory Auditors Comments	Reply of the Company
18.	<p>Non confirmation of balances:</p> <p>a) Amount payable to AP Transco &amp; Other IPPs' Rs. 343.30 crores, which is shown as liability on power purchase &amp; Fuel Surcharge Adjustment, is subject to Confirmation.</p> <p>b) The Company has not furnished details in respect of liability for sundry creditors for capital and O&amp;M supplies of Rs. 62.79 crores and such balances are also subject to confirmation.</p> <p>c) The inter unit balances shows a net un reconciled credit balance of Rs. 21.87 crores</p> <p>d) We have observed un reconciled debits and credits in the bank reconciliation statements for which no proper explanation has been given by the company. Further the differences, if any, between the bank balances as per SAP accounting system and manual Cash books, have not been ascertained and explained.</p> <p>e) The Balances appearing under sundry advances, creditors, loans inter corporate deposits are subject to confirmation/reconciliation.</p>	<p>Noted</p> <p>Vendor wise details available in SAP.</p> <p>Reconciliation is being done regularly.</p> <p>Bank reconciliation is a regular process and the differences identified will be reconciled in due course.</p> <p>There is no such procedure of confirmation and reconciliation is being done.</p>
19.	<p>The company has not identified the name &amp; amount payable to the 'Small, Micro, Medium Enterprises (SMEs). Whether the amount was paid on due date or not is not ascertained. The company has not provided interest, if any payable to SMEs for delay of payment as required under SME Act, 2006.</p>	<p>Noted</p>



**Eastern Power**  
**Distribution Company of A.P. Ltd**

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణీ సంస్థ



*Financial Statements*

*Energy Saved is ...*

*Energy Produced*





**REVENUE ACCOUNT FOR THE YEAR ENDING 31st MARCH 2009 STATEMENT-I**

(In Rupees)

SCH. No.	Particulars	Current year 2008-09	Previous Year 2007-08
	<b>INCOME</b>		
1	Revenue from Sale of Power (Gross)	25,006,743,120	22,628,453,376
	Inter State sales & Discom to Discom Sales	2,709,158,528	3,382,983,414
	Less: State Electricity duty	358,387,829	322,975,438
	Revenue from Sale of Power (Net)	27,357,513,819	25,688,461,352
4	Revenue Subsidies and grants	6,715,440,000	--
5	Other Income	1,268,537,754	1,222,980,494
	<b>TOTAL INCOME</b>	<b>35,341,491,573</b>	<b>26,911,441,846</b>
	<b>EXPENDITURE</b>		
6	Purchase of Power	29,530,935,055	22,524,671,458
8	Repairs & Maintenance	229,072,948	134,558,864
9	Employee costs	2,321,951,034	2,325,529,334
10	Administration & General Expenses	404,722,290	399,115,090
11	Depreciation and Related Expenses (Net)	1,576,269,096	1,118,244,320
12	Interest & Finance Charges	1,334,421,878	844,253,239
	<b>SUB TOTAL (1):</b>	<b>35,397,372,302</b>	<b>27,346,372,306</b>
	<b>LESS: EXPENSES CAPITALISED</b>		
13	Interest and Finance charges capitalised	93,722,924	60,921,784
14	Other expenses capitalised	226,037,694	224,803,234
	<b>SUB TOTAL (2)</b>	<b>319,760,618</b>	<b>285,725,018</b>
15	Other Debits	25,862,356	198,715,027
16	Extra-Ordinary Items	370,000	1,198,000
	<b>SUB TOTAL (3)</b>	<b>26,232,356</b>	<b>199,913,027</b>
	<b>TOTAL EXPENDITURE (1 to 3)</b>	<b>35,103,844,040</b>	<b>27,260,560,315</b>
	<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>237,647,533</b>	<b>(349,118,469)</b>
17	Provision for Taxes		
	Income Tax	24,799,547	48,785,706
	Fringe Benefit Tax	6,693,500	6,667,984
	<b>Total Tax</b>	<b>31,493,047</b>	<b>55,453,690</b>
	<b>PROFIT/ (LOSS) AFTER TAX</b>	<b>206,154,486</b>	<b>(404,572,159)</b>
18	Net Prior Period Credits / (Charges)	(70,259,233)	757,812,426
	<b>SURPLUS / (DEFICIT)</b>	<b>135,895,253</b>	<b>353,240,266</b>

As per our report attached

*J. Jagannadha Rao*  
For M/s Satyanarayana & Co.  
Chartered accountants

J. Jagannadha Rao  
Partner  
Membership No: 6239



For and on behalf of the board

*P. Hari Prasad*  
P. Hari Prasad, I.R.A.S.  
Director(Finance)

*Gulzar N.*  
Gulzar N, I.A.S.  
Chairman & Managing Director

*K.S. Bhaskara Rao*  
K.S. Bhaskara Rao  
Chief General Manager (Expr.)

*A. Rama Rao*  
A. Rama Rao  
Company Secretary



## NET REVENUE AND APPROPRIATION ACCOUNT

### STATEMENT - II

(In Rupees)

	Particulars	Current year 2008-09	Previous Year 2007-08
	Balance brought forward from last year	569,662,234	266,421,968
	Surplus/(Deficit) from Revenue Account	135,895,253	353,240,266
	<b>CREDITS:</b>		
	Transfer from General Reserve	-	-
	<b>TOTAL</b>	<b>705,557,487</b>	<b>619,662,234</b>
	<b>APPROPRIATIONS :</b>		
	Contribution to Reserve and Reserve Funds	-	-
	Sinking Fund for Repayment of Borrowings	-	-
	General Reserve	-	-
	Contingency Reserve	-	-
	Appropriation to Special Safety reserve	<b>50,000,000</b>	50,000,000
	Balance carried forward	655,557,487	569,662,234



**BALANCE SHEET AS ON 31-3-2009**

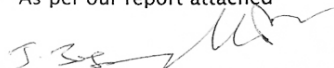
**STATEMENT-III**

(In Rupees)

Sch.No.	Particulars	As at 31-03-2009	As at 31-03-2008
	<b>NET ASSETS</b>		
19	Net Fixed Assets		
	Gross Block	23,948,896,730	20,594,392,578
	Less: Accumulated Depreciation	9,732,000,711	8,192,381,773
	Net Fixed Assets	14,216,896,019	12,402,010,805
21	Capital Expenditure in progress	1,941,117,830	1,867,458,794
22	Assets not in use	18,200,196	18,097,225
24	Intangible Assets	391,400	587,100
25	Investments	92,308,800	94,120,062
	<b>Net Current Assets</b>		
26	Total Current Assets	21,616,286,560	9,978,798,735
	Less: Total Current Liabilities		
27	Security Deposits from Consumers	5,312,588,611	4,731,149,784
28	Other Current Liabilities	6,465,967,217	4,781,767,314
	Total Current Liabilities	11,778,555,828	9,512,917,098
	<b>Net Current Assets</b>	9,837,730,732	465,881,638
	<b>NET ASSETS</b>	<b>26,106,644,977</b>	<b>14,848,155,625</b>
	<b>FINANCED BY:</b>		
30	Borrowings for working capital	10,786,057,371	1,662,257,371
31	Payments due on capital liabilities	570,323,373	622,620,200
32	Capital & other liabilities	5,799,952,719	6,001,406,883
33	Funds from state Government	1,212,253,290	1,212,253,290
34	Contributions, Grants on Subsidies towards cost of capital Assets.	5,183,729,963	4,434,428,327
35	Reserves & Reserve funds.	1,898,770,774	345,527,320
	Deficit / Surplus from Revenue	655,557,487	569,662,234
	<b>TOTAL FUNDS</b>	<b>26,106,644,977</b>	<b>14,848,155,625</b>

As per our report attached

For and on behalf of the board

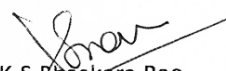
  
For M/s Satyanarayana & Co.  
Chartered accountants

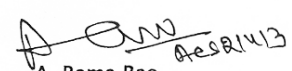
  
P. Hari Prasad, I.R.A.S  
Director (Finance)

  
Gulzar N, I.A.S  
Chairman & Managing Director

J. Jagannadha Rao  
Partner  
Membership No: 6239



  
K.S. Bhaskara Rao  
Chief General Manager (Expr.)

  
A. Rama Rao  
Company Secretary



**REVENUE FROM SALE OF POWER**

**Schedule - 1**

(Amount in Rupees)

Sl. No.	Particulars	Account Code	Current year (2008 - 09)	Previous Year (2007-08)
	<b>L.T.SUPPLY:</b>			
1	Domestic supply - Category-I	6100210 to 218, 6500219	5,468,069,399	4,916,738,009
2	Non-Domestic Supply - Category-II	6100220 to 228	2,917,244,957	2,616,685,957
3	Industrial supply-Category-III	6100230 to 238 & 6101230 to 1238	1,645,165,118	1,647,369,042
4	Cottage Industries - Category-IV	6100240 to 248	3,680,207	3,617,189
5	Irrigation and Agriculture Category-V	6100250 to 258 & 6101250 to 1258	43,505,880	42,990,839
6	Public Lighting - Category-Vi	6100260 to 268 & 6101260 to 1268	398,264,469	351,624,179
7	General Purpose - Category-VII	6100270 to 277	120,715,254	112,634,440
8	Temporary - Category-VIII	6100280 to 288	6,856,377	4,489,574
	<b>L.T.TOTAL :</b>		<b>10,603,501,661</b>	<b>9,696,149,229</b>
	<b>H.T.SUPPLY</b>			
1	Industrial segregated - Category-I	6100310 to 318	9,618,148,514	8,750,761,503
2	Industrial non-segregated-Category-II	6100320 to 328	1,455,649,892	1,162,255,062
3	Irrigation and Agriculture - Category-IV	6100340 to 346 & 6101340 to 1346	101,631,645	49,926,366
4	Railway Traction-Category-V	6100350 & 356	1,935,631,471	1,945,767,183
5	Electricity Co-op. Societies	6100370	114,039,222	84,447,554
6	Power incentive Consumers		-	-
7	Extra State supplies to Government of Pondichery.		-	-
8	Inter State Supplies		-	-
9	Temporary supply	6100380 to 388	-	1,072,505
10	Grid support charges	6100970	98,475	8,797,448
11	Colony Consumption	6100360 to 366	105,422,298	83,469,792
	<b>H.T.TOTAL:</b>		<b>13,330,621,517</b>	<b>12,086,497,413</b>
	<b>L.T. + H.T.TOTAL</b>		<b>23,934,123,178</b>	<b>21,782,646,642</b>
	Less HT Incentive		390,498,380	401,769,417
	<b>Net L.T.+H.T.Total:</b>		<b>23,543,624,799</b>	<b>21,380,877,225</b>

Schedule-1

(Contd.)



**REVENUE FROM SALE OF POWER**

**Schedule - 1 (Contd)**

(Amount in Rupees)

Sl. No.	Particulars	Account Code	Current year (2008 - 09)	Previous Year (2007-08)
	<u>MISCELLANEOUS REVENUE</u>			
1	Electricity Duty recovery	6100501 to 6100518, 6101503 to 6101514	358,387,829	322,975,438
2	Other state levies recovery	6100521 to 6100540	4,182,185	3,530,863
3	Recoveries for theft of power / Malpractices	6100810 to 6100820	50,985,520	33,213,449
	Sub Total:		413,555,534	359,719,750
4	Wheeling charges recoveries	6100825	-	(107)
5	Miscellaneous charges from consumers	6100613 to 6100783 6100845, 6100902 to 950,913	1,049,562,788	887,856,508
	Total Misc. Revenue		1,463,118,322	1,247,576,151
	Gross Revenue from sale of power		25,006,743,120	22,628,453,376
6	Interstate sales & DD sales	6100145 & 7600577	2,709,158,528	3,382,983,414
	Less: Electricity Duty & other state levies payable	7000901	358,387,829	322,975,438
7	Other state levies payable (which is included in (61.541))		-	-
	Net Total :		27,357,513,820	25,688,461,352



**ELEMENTWISE ANALYSIS OF REVENUE**

**SCHEDULE 2**

SL. NO	Particulars	Current Year 2008-09 (in Rupees)	Previous Year 2007-08 (in Rupees)
	<b>REVENUE</b>		
1	Demand charges	2,556,715,413	1,919,209,302
2	Energy charges	21,335,565,472	19,830,649,377
3	Fuel cost adjustment charges	-	-
4	Power Factor Surcharge	41,842,293	32,787,964
		-	
	<b>Less: 25% Rebate to New industries/HT Incentive</b>	390,498,380	-
	<b>Sub-total (a)</b>	23,543,624,798	21,782,646,642
	<b>Electricity Duty &amp; Other State Levies</b>		
6	Electricity Duty recovery	358,387,829	322,975,438
7	Other State Levies Recovery	4,182,185	3,530,863
	<b>Sub-total (b)</b>	362,570,013	326,506,301
8	Recoveries for Theft of Power/Malpractices	50,985,520	33,213,449
9	Wheeling charges recoveries	-	(107)
10	Miscellaneous recoveries	1,049,562,788	887,856,508
	<b>Sub-total (c)</b>	1,100,548,308	921,069,850
11	Gross Revenue from Sale of Power (a+b+c)	25,006,743,120	23,030,222,793
	Less: Adjustments to Past Billing (as per contra)	-	-
	<b>Net Revenue</b>	25,006,743,120	23,030,222,793
	Less: Electricity Duty & other state levies payable	358,387,829	322,975,438
	<b>Net Revenue from sale of power</b>	24,648,355,291	22,707,247,355
	ADD : Inter state & DD Sales	2,709,158,528	3,382,983,414
	<b>Total Revenue from Sale of Power</b>	27,357,513,819	26,090,230,769



**AVERAGE REALISATION FROM SALE OF POWER**

**SCHEDULE 3**

Sl. No.	Particulars	Number of Consumers	Total Units (MU)	Average realisation in paise per unit
	<u>L.T.SUPPLY:</u>			
1	Domestic supply - Category-I	3,546,259	2436.508	224.42
2	Non-Domestic Supply - Category-II	311,671	507.113	575.27
3	Industrial supply-Category-III	23,893	392.770	418.86
4	Cottage Industries - Category-IV	1,316	1.698	216.74
5	Irrigation and Agriculture Category-V	147,301	1508.490	2.88
6	Public Lighting - Category-VI	35,746	223.505	178.19
7	General Purpose - Category-VII	27,835	29.256	412.62
8	Temporary - Category-VIII	99	1.547	443.20
	<b>L.T.TOTAL</b>	<b>4,094,120</b>	<b>5,100.887</b>	<b>207.88</b>
	<u>H.T.SUPPLY</u>			
1	Industrial segregated - Category-I	913	2633.612	365.21
2	Industrial non-segregated-Category-II	594	260.752	558.25
3	Irrigation and Agriculture - Category-IV	75	40.954	248.16
4	Railway Traction-Category-V	15	467.190	414.31
5	Electricity Co-op. Societies	2	162.023	70.38
6	Colony Consumption - VI	36	25.046	420.91
7	Temporary Supply	-	1.745	0.00
	<b>H.T.TOTAL:</b>	<b>1,635</b>	<b>3,591.322</b>	<b>371.19</b>
	<b>L.T. + H.T.TOTAL</b>	<b>4,095,755</b>	<b>8,692.209</b>	<b>275.35</b>



**REVENUE SUBSIDIES AND GRANTS**

**Schedule - 4**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Subsidies and grants from Government	6300130	6,715,440,000	-
2	Subsidies- loss on flood,fire,cyclone	63.200	-	-
3	Other Subsidies and grants	63.300	-	-
	<b>TOTAL:</b>		<b>6,715,440,000</b>	<b>-</b>

**OTHER INCOME**

**Schedule - 5**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Interest on staff loans and advances	6200937	496,143	391,405
2	Delayed payment charges from consumers	6200251 to 6200270	126,551,203	139,436,750
3	Interest from Banks & Investments	6200926 , 6200220,228	278,785,261	186,325,744
4	Income from Trading (Profit on sale of scrap etc.)	6200330 to 6200340	30,625,663	4,443,007
5	Miscellaneous receipts	6200921 to 6200925, 927, 930, 931, 933, 936	97,045,617	297,520,730
6	Amortisation of consumer contributions, subsidies, grants towards cost of capital assets(Current year)	6400828	471,479,773	458,938,697
7	UI Charges (Incl. Incentive tws Power Purchase&STOA)	6100845 & 6200935	263,554,094	135,924,162
	<b>TOTAL:</b>		<b>1,268,537,754</b>	<b>1,222,980,494</b>

**PURCHASE OF POWER**

**Schedule - 6**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Power Purchase	7000101 to 701	29,824,360,291	22,777,618,086
	Less: Rebate on PP Bills & Incentive	6200934	293,425,236	252,946,628
	<b>Total:</b>		<b>29,530,935,055</b>	<b>22,524,671,458</b>





**REPAIRS AND MAINTENANCE**

**Schedule - 8**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
	<u>Repairs and Maintenance to</u>			
1	Plant and Machinery and Transformers	7400503	114,148,417	68,854,986
2	Substation maintenance by Pvt.agencies	7400501	26,171,490	15,888,693
3	Buildings	7400201	8,433,176	3,321,265
4	Civil Works	7400401	16,222,258	14,014,697
5	Lines, Cable net work etc.	7400601 & 651	57,274,468	30,757,151
6	Vehicles	7400701 & 702	1,173,800	1,068,323
7	Furniture and Fixtures	7400801		18,222
8	Office equipment	7400901,911,921 & 930	5,649,339	635,526
	<b>TOTAL:</b>		<b>229,072,948</b>	<b>134,558,864</b>

**EMPLOYEE COSTS**

**Schedule - 9**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Salaries	7500101 to 220,710	1,226,881,471	1,261,414,284
2	Dearness Allowance	7500301 to 370	182,677,613	110,620,078
3	Other Allowances	7500401 to 470	158,577,167	156,730,778
4	Bonus/Exgratia	7500501 to 520	11,183,973	8,795,959
	<b>Sub-Total 1 (1 to 4)</b>		<b>1,579,320,224</b>	<b>1,537,561,099</b>
5	Medical expenses Reimbursement	7500611	10,565,717	10,469,559
6	Leave Travel Assistance	7500612 to 613	1,021,325	749,805
7	Earned Leave Encashment	7500617 to 618, 804	49,068,278	222,453,411
8	Payment under workmen's compensation Act	7500629	1,869,444	4,486,975
	<b>Sub-Total 2 (5 to 8)</b>		<b>62,524,764</b>	<b>238,159,750</b>
9	Medical reimbursment(Monthly allowance)	7500610	16,324,526	16,263,363
10	Other welfare expenses	7500664 to 669, 701,765,805 to 815, 818	51,983,167	2,901,684
11	GPF Booster scheme	7500670	803,796	1,135,302
12	Terminal benefits	7500801 to 803,816	610,994,557	529,508,136
	<b>TOTAL:</b>		<b>2,321,951,034</b>	<b>2,325,529,334</b>



**ADMINISTRATION AND GENERAL EXPENSES**

**Schedule - 10**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Rent, Rates and Taxes	7600101 & 102	9,753,455	7,838,427
2	Licence Fee - APERC	7600103	6,197,000	6,197,000
3	Insurance	7600520 & 521	506,116	503,308
4	Telephone charges, Postage, Telegram & charges	7600201 to 205,	41,233,142	36,859,970
5	Legal charges	7600301	2,582,726	2,532,481
6	Audit fees	7600401	513,738	421,350
7	Consultancy charges	7600302	2,949,849	3,351,772
8	Technical fees	7600303	35,000	-
9	Other professional charges	7600306 & 309	137,657,054	124,971,388
10	Honarorium	7600305	303,100	982,613
11	Conveyance expenses	7600568	896,588	998,455
12	Travelling expenses	7600567	65,455,564	69,203,020
13	Vehcile running exp.(Cars,Jeeps, etc.)	7600307 & 310 & 531 & 530	16,183,449	10,167,730
14	Vehcile hire charges	7600308	36,763,916	40,064,629
15	Training and participation	7600515	765,202	4,974,923
16	Fees&Subscription	760502	1,616,611	819,401
17	Books&periodicals	7600503	240,455	210,305
18	Printing & Stationary	7600504	13,043,886	13,529,195
19	Advertisement	7600505	7,323,944	11,404,921
20	Contributions		-	-
21	Electricity charges	7600506	25,623,469	22,451,124
22	Water charges	7600507	906,850	1,029,898
23	Entertainment	7600501	533,082	518,892
24	Misc.Expenses	7600405, 511,550, 551, 553,557,559, 561, 562 570, 572, 573 & 575	33,388,394	39,836,091
25	Preliminary Expenses written off	7700201	195,700	195,700
26	Payment Electricity workers panchayat	7600512	54,000	52,500
27	Expenses towards prajasadassu		-	-
	<b>TOTAL</b>		<b>404,722,290</b>	<b>399,115,090</b>

**DEPRECIATION AND RELATED DEBITS (NET)**

**Schedule - 11**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Depreciation	7700101	1,576,269,096	1,118,244,320
	<b>TOTAL</b>		<b>1,576,269,096</b>	<b>1,118,244,320</b>



**INTEREST AND FINANCE CHARGES**

**Schedule - 12**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Interest on State Government loans	7800107	12,426,497	14,022,981
2	Interest on Bonds	7800101	23,455,200	23,455,200
3	<u>Loans from Financial Institutions/Banks</u>			
	R.E.C	7800103	332,344,748	362,441,502
	P.F.C	7800104	138,540,237	125,962,802
	I.C.I.C.I	7800132	21,190,480	24,742,618
	Bank of Baroda	7800133	19,386,952	22,345,568
4	Interest to Consumers	7800110	263,588,928	239,098,994
5	SBH	7800130	22,485,662	22,544,881
6	Other Interest (other sub-accounts)	7800114 to 120 & 135 to 140, 142 to 144	495,745,281	7,286,237
7	Cost of raising Finance ( Guarantee commission)	7800205	-	39,955
8	Bank charges	7800203, 204, 206 & 210 to 214	5,257,893	2,312,501
	<b>TOTAL:</b>		<b>1,334,421,878</b>	<b>844,253,239</b>

**INTEREST AND FINANCE CHARGES CAPITALISED**

**Schedule - 13**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Interest and Finance Charges Capitalised	7809000 & 7809001	93,722,924	60,921,784
	<b>Total</b>		<b>93,722,924</b>	<b>60,921,784</b>

**OTHER EXPENSES CAPITALISED**

**Schedule - 14**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Expenses capitalised	7509000 & 7609000	226,037,694	224,803,234
	<b>TOTAL</b>		<b>226,037,694</b>	<b>224,803,234</b>

**OTHER DEBITS**

**Schedule - 15**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Waiver of Surcharge		-	-
2	Miscellaneous losses and write-offs	8000101,8400111 8500201,204,207,302 309,311,312,314 & 322	16,972,429	187,182,207
3	Sundry Expenses	8500304, 305 & 8500405	8,889,927	11,532,820
	<b>TOTAL:</b>		<b>25,862,356</b>	<b>198,715,027</b>



**EXTRAORDINARY ITEMS**

**Schedule - 16**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Extra Ordinary debits (Loss on account of Flood, Cyclone, Fire etc.)	8500601	370,000	1,198,000
2	Net Extra ordinary items [(Dr) / Cr]		370,000	1,198,000

**PROVISION FOR INCOME TAX**

**Schedule - 17**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	Provision for Taxes			
	Income Tax	8600101	24,799,547	48,785,706
	Fringe Benefit Tax	8700101	6,693,500	6,667,984
	<b>TOTAL</b>		<b>31,493,047</b>	<b>55,453,690</b>

**NET PRIOR PERIOD CREDITS/CHARGES**

**Schedule - 18**

In Rupees

Sl. No.	Particulars	Account Code	Current year (2008- 09)	Previous Year (2007-08)
1	<u>Income relating to previous year</u>			
	Receipts-prior periods	6600212 to 880	(697,030)	-
	Excess provision Depreciation	6601983	-	806,476,106
	Other income prior periods	6601985	-	(50,721,989)
	<b>Sub Total:</b>		<b>(697,030)</b>	<b>755,754,117</b>
2	<u>Prior period Expenses / Losses</u>			
	Short provision for power	8800101	10,951,978	-
	Operating Expenses of previous year	83.300	-	-
	Employees cost	8800301	421,112	(2,058,309)
	Depreciation under provided	83.600	-	-
	Interest & other Fin. Charges	83.700	-	-
	Incometax relating to previous years	8800601	58,189,113	-
	<b>Sub Total:</b>		<b>69,562,203</b>	<b>(2,058,309)</b>
3	Net Prior Period Credits /(Charges)		(70,259,233)	757,812,426

**CAPITAL EXPENDITURE IN PROGRESS**

**Schedule - 21**

In Rupees

Sl. No.	Particulars	Account Code	As at 31.03.09 (2008- 09)	As at 31.03.08 (2007-08)
1	Capital work-in-progress	1400101 & 102	1,941,117,830	1,867,458,794
	<b>TOTAL</b>		<b>1,941,117,830</b>	<b>1,867,458,794</b>

**FIXED ASSETS AND PROVISION FOR DEPRECIATION****Schedule 19**

(In Rupees)

ASSET GROUP	Account Code	GROSS BLOCK				PROVISION FOR DEPRECIATION					NET BLOCK		
		At the end of the Previous Year/2007-08	Additions during the year/2008-09	Deductions during the year /2008-09	Reclassification	At the end of the year 31-03-2009	At the end of the Previous Year/2007-08	Depreciation for the year/ 2008-09	Adjustments on Deductions	Reclassification	At the end of the year as on 31-03-2009	At the end of the year 2008-09	At the end of the Previous Year/2007-08
Land and Land rights	1000101	33,342,510	780,469,438	--	--	813,811,948	-				-	813,811,948	33,342,510
Buildings	1000201	238,776,648	76,167,441			314,944,089	81,750,035	7,741,551		89,491,586	225,452,503	157,026,613	
Other civil works	1000401	28,482,720	23,221,398			51,704,118	1,678,221	930,714		2,608,935	49,095,183	26,804,499	
Plant and Machinery	1000501	7,741,192,331	1,410,331,495	8,408,912		9,143,114,915	2,820,869,971	567,383,730	4,954,865	3,383,298,836	5,759,816,079	4,920,322,360	
Lines and Cable Network	1000601	10,732,851,444	800,831,029			11,533,682,473	5,205,717,380	791,929,998	-	5,997,647,378	5,536,035,094	5,527,134,064	
Meters & Metering Equipment	1000651	1,620,253,259	297,133,857	41,607,160		1,875,779,956	-	186,942,355	30,640,757	156,301,598	1,719,478,358	1,620,253,259	
Vehicles	1000701	20,474,827	-	1,228,794		19,246,033	15,395,333	1,311,817	1,054,537	15,652,614	3,593,420	5,079,494	
Furniture and Fixtures	1000801	54,931,186	5,843,260			60,774,446	66,970,834	3,457,487		70,428,321	(9,653,875)	(12,039,648)	
Office Equipment	1000901	66,499,516	931,947			67,431,462	9,799,216			9,799,216	57,632,246	66,499,516	
Computers	1000911	57,588,137	10,819,153			68,407,290	-	6,772,227		6,772,227	61,635,063	57,588,137	
<b>TOTAL</b>		<b>20,594,392,578</b>	<b>3,405,749,018</b>	<b>51,244,866</b>	<b>-</b>	<b>23,948,896,730</b>	<b>8,192,381,774</b>	<b>1,576,269,096</b>	<b>36,650,159</b>	<b>-</b>	<b>9,732,000,711</b>	<b>14,216,896,019</b>	<b>12,402,010,804</b>
Previous year		18074470663	2535742189	15820274		20594392578	7898071190	1118244321	823933738		8192381773	12402010805	10176399473



**Eastern Power**  
Distribution Company of A.P. Ltd.  
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## 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 (31-3-2008)	Additions during the year (2008-09)	Deductions during the year (2008-09)	Balance at the end of this year (31-03-2009)
			<u>Written down value of</u> <u>Obsolete, Scrapped</u> <u>Assets:</u>					
-	-	-	- Land and rights	1600101	-	-	-	-
-	-	-	- Buildings	1600201	-	-	-	-
-	-	-	- Hydraulic works	1600301	-	-	-	-
-	-	-	- Other civil works	1600401	-	-	-	-
5,189,733	42,856	-	- Plant and Machinery	1600501	5,232,589	38,163	-	5,270,752
12,643,247	4,473	-	- Lines and Cable net work	1600601	12,647,720	41,350	3,182	12,685,889
79,583	-	-	- Vehicles	1600701	79,583	-	-	79,583
(2,572)	-	-	- Furniture & Fixtures	1600801	(2,572)	-	-	(2,572)
-	139,904	-	- Office equipment	1600901	139,904	103,808	77,168	166,544
			& 911					
17,909,991	187,234	-	Total		18,097,225	183,321	80,350	18,200,196



**Eastern Power**  
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## INTANGIBLE ASSETS (PRELIMINARY EXPENSES PENDING WRITE OFF)

Schedule 24

(in Rupees)

Balance at the beginning of the previous Year	Cost incurred during the previous year	Cost charged to revenue during the previous year	Intrnagible Assets	Account Code	Balance at the end of the Previous year (31-3-2008)	Cost incurred during the previous year	Cost charged to revenue during the previous year	Balance at the end of this year (31-03-2009)
782,800	-	195,700	Expenses for forming and organising the Company	1201001 & 7700201	587,100	195,700	195,700	391,400
782,800	-	195,700	Total		587,100	195,700	195,700	391,400



**Eastern Power**  
 Distribution Company of A.P. Ltd.  
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## INVESTMENTS

Schedule 25

(in Rupees)

Balance at the beginning of the previous Year	Further investments during the previous year	Investments realised during the previous year	Investments	Account Code	O.B. as on 01-04-2008	Further investments during the year (2008-09)	Closing Balance as on 31-03-2009
Rs.	Rs.	Rs.			Rs.	Rs.	Rs.
92,103,462	-		<u>Investments against funds</u>				
			Contingency reserve Investments	2001070	92,103,462	(1,811,262)	90,292,200
2,016,600	-		Investment in Equity Share capital of RESCOs	2006010	2,016,600	-	2,016,600
94,120,062	-	-	Grand Total		94,120,062	(1,811,262)	92,308,800



**Eastern Power**  
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**TOTAL CURRENT ASSETS**

**SCHEDULE 26**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Stocks	26(a)	535,389,481	653,111,733
2	Receivables against supply of power	26(b)	4,193,858,222	3,589,992,417
3	Cash and Bank Balances	26(c)	2,120,838,315	1,501,159,228
4	Loans and advances	26(d)	5,179,138,533	1,375,198,654
5	Sundry Receivables	26(e)	9,587,062,009	2,859,336,703
	<b>TOTAL</b>		<b>21,616,286,560</b>	<b>9,978,798,735</b>

**STOCKS**

**SCHEDULE 26 (a)**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Stock of materials at other stores	2200101 to 162	684,503,645	824,859,561
2	Materials stock pending investigation and provision for recovery/ write off of cost of materials	2200201 to 203	(149,114,164)	(171,747,827)
	<b>TOTAL :</b>		<b>535,389,481</b>	<b>653,111,733</b>

**RECEIVABLES AGAINST SUPPLY OF POWER**

**SCHEDULE 26 (b)**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Sundry Debtors for sale of power	2300301, 2302110 to 2810, 2305510 to 5660, 2301100 to 1800 & 2303100 to 3800	1,475,963,055	1,318,997,300
2	Sundry Debtors for Electricity Duty	2302100 to 2800 & 2305110 to 5260	192,120,333	76,749,615
3	Provision for unbilled Revenue	2300551 & 552	2,850,449,027	2,463,270,545
4	Accrued revenue-Generation			
4	Sundry Debtors - Miscellaneous Receipts from consumers	2300302, 502, 835 & 901	39,866,547	95,515,697
	<b>Sub-Total:</b>		<b>4,558,398,961</b>	<b>3,954,533,156</b>
5	<b>Less:</b> Provision for doubtful dues from consumers	2300701 to 722 & 730	364,540,739	364,540,739
	<b>TOTAL:</b>		<b>4,193,858,222</b>	<b>3,589,992,417</b>



**CASH AND BANK BALANCES**

**SCHEDULE 26 (c)**

(In Rupees)

SI. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Cash on hand	2401250 to 2401308	201,262,496	17,633,498
2	Cash Imprests with staff	2404901 to 4903	1,711,141	973,308
3	Balance with Banks	2404501 to 503 & 2428761 to 2461282	1,868,043,613	963,517,763
	Cash and Bank Balances		2,071,017,250	982,124,569
	<b>FUNDS CLEARANCE ACCOUNTS</b>			
4	Remittance from HQ to Units & Units to HQ in transit	2404988 to 5000	49,821,065	519,034,659
	TOTAL:		2,120,838,315	1,501,159,228

**LOANS AND ADVANCES**

**SCHEDULE 26 (d)**

(In Rupees)

SI. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Advances for O&M supplies/works	2501010	92,515,237	85,873,792
2	Loans and Advances to staff	2700101 to 130	17,282,870	9,787,933
3	Advance Income Tax and Tax Deduction at Source	2700423 & 425	129,154,568	91,575,674
4	Loans and Advances - Others	2600101 to 107	59,205,659	60,154,322
	Inter Corporate Deposits	2601010 & 2002020	950,000,000	1,100,000,000
	Dues From Other Discoms ( Towards pool imbalance mechanism)	2800103 to 107	3,930,980,199	27,806,933
	TOTAL		5,179,138,533	1,375,198,654

**SUNDRY RECEIVABLES**

**SCHEDULE 26 (e)**

(In Rupees)

SI. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Sundry Debtors-Trading Account	2805160	(21,096,888)	(6,727,738)
2	Income accrued and due on investments	2800201 & 251	166,990,947	111,197,572
3	Other Income accrued and due	2800302	69,530,473	77,409,817
4	Amount recoverable from employees/ Ex-employees	2800507 to 510	91,044,375	99,762,556
5	GPF Trust	2800802	84,567,155	66,131,727
6	P & G Trust	2800801, 803 & 805	-	(231,446,292)
7	Other claims and Amount receivable from APGovt.	2800301, 311 to 426, 430 to 446 & 502	6,488,480,621	1,036,424,676
8	Other claims under inter unit accounts	3000100 to 3700001	(218,736,000)	(159,553,038)
9	Deposits (Including Bank Deposits)	2002050	2,926,281,326	1,866,137,423
	TOTAL		9,587,062,009	2,859,336,703



**SECURITY DEPOSITS FROM CUSTOMERS**

**SCHEDULE 27**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	Security Deposits from consumers (in cash)	4800101, 201, 4800302, 4801020 to 3094	5,078,516,591	4,523,154,868
2	Interest payable on consumer's deposits	4800301& 4500521	234,072,020	207,994,916
	<b>TOTAL:</b>		<b>5,312,588,611</b>	<b>4,731,149,784</b>

**OTHER CURRENT LIABILITIES**

**SCHEDULE 28**

(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.09	As at 31.03.08
1	A.P.Transco and power purchase liability	4101010	3,433,023,586	2,046,257,465
2	Liability for capital supplies/works	4200301 to 4201000	337,710,886	31,057,090
3	Liability for O&M supplies/Works	4300001 to 4301000	290,215,078	381,599,016
4	Staff related liabilities and provisions	4301010 to 4400451	764,501,620	807,026,069
5	Deposits and retentions from suppliers and contractors	4601010 to 4603080	585,048,280	471,216,453
6	Electricity Duty and other levies payable to Govt.	4600301 to 310	65,181,917	115,669,144
7	Liability for expenses	4500101 to 501, 4500551 to 903 & 4600107 to 201	92,732,755	81,976,795
8	Accrued liability amounts relating to borrowings.	4500511 & 4600801	42,487,059	36,511,851
9	Other liabilities and provisions	4600850 to 934	359,092,310	303,251,935
10	Deposits for electrification, service connection etc.	4700101 to 603, 4700801 & 4706110	443,099,997	449,288,665
11	Liability towards Kutir Jyoti Scheme.	4700701	52,873,729	57,912,831
	<b>TOTAL:</b>		<b>6,465,967,217</b>	<b>4,781,767,314</b>

**PAYMENT DUE ON CAPITAL LIABILITIES****Schedule 31**

(In Rupees)

Due at the beginning of the previous year	Amt. received during the prev. year	Payments made during the previous year	Particulars	Account Code	Due at the beginning of the year (1-04-2008)	Amt. received during the year (2008-09)	Payments made during the year (2008-09)	Outstanding at the end of the year (31-03-2009)
530,675,300	117,694,948	25,750,048	REPAYMENTS DUE Loans from Govt. of Andhra Pradesh	5303300	622,620,200	-	52,296,827	570,323,373
530,675,300	117,694,948	25,750,048	TOTAL		622,620,200	-	52,296,827	570,323,373

**CAPITAL & OTHER 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	Account Code	OB as on 01-04-2008	Amount received during the year (2008-09)	Repayments made during the year (2008-09)	Outstanding at the end of the year (31-03-09)
3,914,272,834	1,579,370,740	1,874,179,631	<u>Secured Loans</u>					
1,255,253,522	433,780,302	367,305,233	(i) Loan from REC Ltd	5303100	3,619,463,943	544,514,764	739,714,277	3,424,264,430
364,682,201	44,131,293	92,221,257	(ii) Loan from PFC Ltd	5303200	1,321,728,591	561,159,431	477,691,114	1,405,196,908
333,063,992	26,098,152	67,731,156	(iii) Loan from ICICI	5303400	316,592,237	-	48,089,964	268,502,273
202,200,000	-	-	(iv) Loan from Bank of Baroda	5303500	291,430,988	-	41,633,004	249,797,984
250,000,000	22,664,716	22,673,592	(v) AP Transco Vidyut Bonds	5301000	202,200,000	-	-	202,200,000
-	-	-	(vi) Loan from SBH	5303520	249,991,124	-	-	249,991,124
-	-	-	Other Liabilities towards subsidy reallocation and adjustment through APPCC		-	-	-	-
6,319,472,549	2,106,045,203	2,424,110,869	Total		6,001,406,883	1,105,674,195	1,307,128,359	5,799,952,719



**BORROWINGS FOR WORKING CAPITAL****Schedule 30**  
(In Rupees)

Outstanding at the beginning of the Previous year	Amount Received during the Previous year	Repayments due during the previous year	Particulars	Account Code	OB as on 01-04-2008	Amount received during the year (2008-09)	Repayments made during the year (2008-09)	Outstanding at the end of the year (31-03-09)
227,120,000	1,578,216,295	1,143,078,924	(vii) CC limits - SBH	5000102	662,257,371	12,335,100,000	11,211,300,000	1,786,057,371
-	1,000,000,000	-	(viii) Working Capital loan	5101100 & 5101101	1,000,000,000	9,000,000,000	1,000,000,000	9,000,000,000
227,120,000	2,578,216,295	1,143,078,924	TOTAL		1,662,257,371	21,335,100,000	12,211,300,000	10,786,057,371

**FUNDS FROM STATE GOVERNMENT****Schedule 33**  
(In Rupees)

Outstanding at the beginning of the Previous year	Amount Received during the Previous year	Payments due during the previous year	Particulars	Account Code	Outstanding at the end of Previous year (31-3-2008)	Amount received during the year (2008-09)	Repayments due during the year (2008-09)	Outstanding at the end of the year (31-03-09)
1,220,000,000	-	-	SHARE CAPITAL <u>Authorised Capital</u> 12,20,00,000 equity shares of Rs.10 each.		1,220,000,000	-	-	1,220,000,000
1,212,253,290	-	-	<u>Issued subscribed and paidup capital</u> 12,12,25,329 equity shares of Rs.10 each (Out of which 7,56,63,829 equity shares of Rs.10 each were issued for consideration other than cash by virtue of 2nd transfer scheme notified by the Govt. of A.P vide G.O.Ms No 109 dated 29-09-2001)	5600800	1,212,253,290	-	-	1,212,253,290
1,212,253,290	-	-	TOTAL		1,212,253,290	-	-	1,212,253,290



**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	Amortisation during the year	Particulars	Account Code	OB as on 01-04-2008	Additions during the year (2008-09)	Amortisation during the year	Total at the end of the year (31.03.2009)
3,647,647,180	993,373,694	389,667,308	1. Consumers Contribution	5500101 &	4,251,353,566	1,220,781,408	451,700,841	5,020,434,133
786,529		72,360	2. Subsidies towards cost of Capital Assets	102 5500200	714,169		66,389	647,780
200,837,632		18,477,040	3. Grants towards cost of Capital Assets	5500300	182,360,592		19,712,543	162,648,049
3,849,271,341	993,373,694	408,216,708	TOTAL		4,434,428,327	1,220,781,408	471,479,773	5,183,729,962

**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	Account Code	Balance at the end of the Previous year (31-3-2008)	Additions during the year (2008-09)	Deductions during the year (2008-09)	Balance at the end of the year (31-03-2009)
153,730,877	56,730,050	-	RESERVES & RESERVE FUNDS					
			1 Capital Reserve (Contingency & Other Reserves)	5700702 & 711	210,460,927	898,663,108	65,019,037	1,044,104,998
14,225,999	16,511	1,053	2 Other Reserves and Reserve funds (PF, P&G Trusts balance)	5400161 & 162	14,241,457	35,391	35,391	14,241,457
(27,143)	244,644,557	244,644,557	3 General Provident Fund	5400121 & 122	(27,143)	214,122,580	214,124,079	(28,642)
(3,955,849)	822,600	1,706,614	4 Family Benefit Fund	5400151	(4,839,863)	225,983	563,598	(5,177,478)
6,324,376	8,080,560	5,674,819	5 Group Insurance - Savings Fund	5400152 & 153	8,730,117	8,280,760	5,767,635	11,243,242
(1,503,994)	911,567	1,093,955	6 Group Insurance-Insurance Fund	5400154	(1,686,382)	865,400	1,131,894	(1,952,877)
641,157,554	876,180,232	1,398,689,579	7 Pension/Gratuity Fund	5400130 to 147	118,648,207	1,833,222,361	1,115,530,494	836,340,074
809,951,820	1,187,386,076	1,651,810,576	TOTAL		345,527,320	2,955,415,582	1,402,172,128	1,898,770,774



**Eastern Power**  
Distribution Company of A.P. Ltd.  
ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ సంపత్తి సంస్థ





**Eastern Power**  
**Distribution Company of A.P. Ltd**

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణీ సంస్థ

**Accounting Principles  
and Policies**

*Energy Saved is ...*

*Energy Produced*



## **EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED**

**Corporate Office: P&T Colony, Seethammadhara, Visakhapatnam - 530 013.**

Year – 2008-2009

**Statement-4**

### **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 is 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 account-

ing policies followed in respect of areas not specifically covered here after or in cases where departure from the prescribed accounting policy is permitted, is followed consistently from year to year.

#### **TRUE AND FAIR PRESENTATION**

- 1.7 Accounts of the Company present 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 is given where it is necessary to ensure true and fair presentation.

#### **ACCRUAL BASIS OF ACCOUNTING**

- 1.9 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**

- 1.10 Comparative figures for the previous year are given in the annual Accounts. No regrouping of previous year's figures is 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**

1.11 Reserves of a Company whether created out of appropriation from surplus of past years or in any other manner shall not be 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**

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

### **OFFSETTING OF ASSETS AND LIABILITIES**

1.13 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 OCCURRING AFTER THE BALANCE SHEET DATE**

1.14 All events or transactions occurring after the date 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 changes 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 DEFERMENT OF LOSS WRITE OFF**

1.15 In 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 is 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**

1.16 The 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.

**I. 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 is 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 is charged to Revenue as in fructuous capital expenditure in the year in which the project is rejected. If the project is sanctioned, the expenditure is charged to capital work-in-progress account for that project. Any expenditure incurred on detailed feasibility studies etc. after a project is sanctioned shall also be charged to the capital work-in-progress account for that project. The aggregate of 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 is 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) C.I.F. Value; and
- (2) Customs Duty

In accordance with Accounting standard.

**Outside Labour / Contractor Charges**

2.8 All Labour 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.

**Capitalisation of Expenses**

2.9 The percentage of capitalization of expenses is fixed at 10% of base capital expenditure.

**Land and Land Rights**

2.10 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.

2.11 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**

2.12 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.

2.13 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, Replace-ment & Repairs**

2.14 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**

2.15 Any expenditure on repairs or rehabilitation of an asset purchased by the Company (whether second hand or new) incurred before commis-



sioning the asset or putting the asset in usable condition are treated as a cost of that capital asset.

2.16 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.

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

**Additions**

2.18 Additions may bring into existence a new asset or increase the physical size of an asset through expansion, extension etc. All expenditure on additions is capitalized.

**Improvements**

2.19 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 an existing asset (Eg. replacing a transformer by another transformer of higher capacity) or may not involve replacement an existing asset (E.g. expenditure on acid resistance lining in a tank in water treatment plant). All expenditure on improvements is capitalised.

**Replacement**

2.20 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 O&M or replacements is charged to revenue a Repairs and Maintenance Expenditure. Major replacement expenditure is

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 between minor and major expenditure is that where replacement of any asset or part of asset requires a separate fixed asset record, it is considered a major replacement.

**Rebuilding**

2.21 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 the aggregate of expenditures on replacement in an asset and accounted for accordingly.

2.25 Any expenditure incurred on shifting an asset from one place to another place is, regardless of the amount of expenditure, is charged to revenue in the year in which the expenditure is incurred.

**Contributions, Grants & Subsidies Towards Cost of Capital Assets**

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

2.23 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.

2.24 Consumers contributions

Subsidies and grants related to depreciable fixed assets are to be treated as deferred income which should be recognized in the profit and loss



statement on a systematic and rational basis over the useful life of the asset, i.e., such amounts should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged

Consumers Contribution, Capital Subsidies and Grants related to non-depreciable assets should be credited to capital reserve. However, if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income.

The deferred income balance is to be separately disclosed in the financial statements

2.25 Accounting for cost of a capital is 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:**

2.26 Full cost of all small and low value assets each costing Rs.500 or less is 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.

2.27 The policy for full write-off stated in paragraph 2.30 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.

2.28 All capital expenditure is accounted for through capital work-in-progress accounts. On commissioning of the assets, the expenditure is trans-

ferred 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**

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

**Technical Certificate**

2.30 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**

2.31 Mere disputes with contractors / suppliers regarding the fulfillment of the terms and conditions of contract with them shall not be a reason 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**

2.32 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**

2.33 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**

2.34 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**

2.35 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**

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

1. *The Company charges as depreciation on the fixed assets in use at the closing of the year (on the opening balance and considering further additions & deletions, if any, during the year), 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.
3. 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

4. The asset permanently ceases to be used by the Company.

Whichever is earlier

5. Depreciation charge on a newly commissioned asset shall commence in the year of commissioning from the date of Capitalisation.

2.37 In respect of leasehold assets, depreciation is charged every year on 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, for

- 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.

2.38 Expenditure on development / improvement on leasehold assets is 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)

2.39 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 be common for all the assets in the group of 'Assets of Common Retirement Date'.

2.40 Assets used for construction are classified as under:

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

2.41 By 'construction facilities' is meant those assets, which are intended for use on one or the other capital project.

2.42 Depreciation is 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 is debited not to Depreciation Account but to 'capital WIP – Revenue Expenses Reclassified account'.

2.43 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; but 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.

2.44 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.

2.45 Depreciation on such assets is charged in the normal manner. The amount of depreciation charged on such assets is later reclassified and

charged to capital works.

### **Retirement, Scrapping, Obsolescence and Sale of Assets**

2.46 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**

2.47 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**

2.48 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**

2.49 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**

2.50. 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.

2.51. The gain on sale of assets is 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.

2.52 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**

2.53. In case of assets scrapped / destroyed / sold for which the date of acquisition is not known, it is 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:**

2.54. 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**

2.55. 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**

2.56. On formation of a new State Electricity Com-

pany, 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.**

2.57. 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**

2.58 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.**

2.59. 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.**

2.60. No Capitalisation of an imputed interest cost





(notional interest) on the Company's own funds and interest free finance are permitted.

2.61 Interest on amounts utilised for capital works out of Borrowed funds shall be capitalised considering the principles laid down in AS-16 "Borrowing Costs" issued by the ICAI. Which are as follows:

- a) When one or more capital works are done out of funds borrowed from one source then interest to be capitalised shall be computed taking the rate of Interest of the loan and the funds utilised for each work considering the duration of the work;
- b) When one or more capital works are done out of funds borrowed from two or more sources then Capitalisation of Interest shall be done taking the weighted average rate of interest of all the borrowings which are used for that capital work / works considering the funds utilised in each of the work and the duration of the work.
- c) When funds utilised for capital work comprise of loan and grant funds then Capitalisation of interest *shall be restricted to the extent of loan funds only.*

2.62 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:

1. Purchase of new vehicles
2. Purchase of Office equipments

2.63 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.

## II. MATERIALS ACCOUNTING

### Accounting for Materials Transactions

2.64. 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 by the Company is created in the month in which the materials are recieved.

### Accounting for Incidental Expenses

2.65. The cost of inventories should comprise all costs of purchases, Costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### Recognition of Consumption

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

## III. BORROWINGS AND INVESTMENTS

### Interest on Borrowings

2.67 Provision is 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.

2.68. Total interest cost for the year including interest on State Government loans shall, subject to capitalisation of a portion of interest as per paragraphs 2.64 & 2.65 be charged to Revenue Account for the year.

2.69. 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

2.70 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 is made at the year-end for the above costs for the year, which has accrued but is not paid.

### Discount and Redemption Premium on Bonds etc

2.71 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.

2.72. 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

2.73. Income from investment is 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.

2.74. Provision is 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'

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

### Treatment of Loss/Gain relating to Investments

2.76. Gain on sale of investments is credited to the net Revenue and Appropriation Account. Similarly if any Redemption premium is received on maturity of securities, the same is also credited to Net Revenue and Appropriation Account. Loss on sale of investments is debited to Net Revenue and Appropriation Account. In case of investments against a Fund, the credit for the gain or debit for the loss is not passed on to the Revenue Account, but to the respective Fund Account itself.

### IV. OTHER ACCOUNTING AREAS

#### Foreign Currency Transactions

2.77. 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.

2.78. 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 is recorded in the books as under:

- (1) Increase in the amount of receivable or decrease in the amount of the liability is 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 is treated as a loss and is 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 is 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.

2.79. 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. The policy relating to treatment of such situation is as follows:

- (1) The increase or decrease in the amount of foreign currency liability is 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 2.65 for retrospective reworking of depreciation are fulfilled.

**Loss due to Fire, Flood, Cyclone etc**

2.80. 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 is 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**

2.81 Provision is 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 is 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.

2.82. Any excess or shortfall of the provision for income tax as compared to the tax payable is 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**

2.83. Revenue from sale of power is accounted for on an accrual basis. The accounting for revenue shall thus be totally de-linked 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 is 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**

2.84. 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 is 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. 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 is 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'.

- (3) **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.

- (4) **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.

- (5) **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**

2.85. 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 of such cheques and drafts will, therefore, be considered as deposit of cash in the Bank Account.

2.86. 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.


2.87. 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.



2.88. 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.

2.89. The Company follows the mandatory accounting standards issued by the ICAI, to the extent applicable, in regards to the accounting treatment of various transactions and prescribed in the Accounts.


As per our report attached

  
For M/s Satyanarayana & Co.  
Chartered accountants

J. Jagannatha Rao  
Partner  
Membership No: 6239




  
P. Hariprasad, I.R.A.S  
Director(Finance)

  
K.S. Bhaskara Rao  
Chief General Manager (Expr.)

For and on behalf of the board

  
Gulzar N, I.A.S  
Chairman & Managing Director

  
A. Rama Rao  
Company Secretary



**Eastern Power**

**Distribution Company of A.P. Ltd**

ఆంధ్ర ప్రదేశ్ తూర్పు ప్రాంత విద్యుత్ పంపిణీ సంస్థ

*Notes to Accounts*

*Energy Saved is ...*

*Energy Produced*



**NOTES TO ACCOUNTS**  
(2008-2009)

**Statement-5**

1. The Books of accounts of the Company have been prepared in accordance with Electricity (Supply) (Annual Accounts) Rules, 1985 as notified by the Central Government, Electricity Act, 2003 and Companies Act, 1956 wherever the company has adopted the provisions thereof. The principles laid down under ESAAR 1985 are not in total consonance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

**2. Capitalisation of expenses:**

“The percentage of capitalization of expenses is fixed at 10% on base capital expenditure.”

3. **Implementation of “SAP” in 2007-08:** During the financial year 2007-08, the company has implemented SAP an ERP package for better internal control system and effective maintenance of Books of accounts. Reconciliation of Line items and Circle wise opening balances are in progress. In view of pending reconciliation of Opening Balances, transactions for the financial year 2008-09 is added to opening balances as on 01.04.08 and accordingly final accounts were prepared. Further the pending reconciliation of Opening balances will be finalised at the time of uploading of the ERP version-ECC6.0

**4. Appropriations out of surplus in revenue account:**

A special appropriation of Rs 5 Crores has been made out of surplus from revenue account for the year ending 31st March, 2009 towards safety measures as directed by APERC vide para No. 365 of Tariff Order for the year 2006-07 for the control period up to 2008-09.

**5. Income Tax:**

☛ Appeals in respect of the following assessment years are pending in connection with the income tax assessment of the Company

Assessment year	Authority before which the appeal is pending	Amount in dispute (Rs.)
2001-02	Income Tax Appellate Tribunal	10,20,45,752
2003-04	Income Tax Appellate Tribunal	1,37,46,000
2004-05	Income Tax Appellate Tribunal	1,77,28,405
2005-06	Commissioner of Income Tax(Appeals)	5,69,85,634
2006-07	Commissioner of Income Tax(Appeals)	1,45,13,785

☛ Provision for Income Tax has been made on Book Profits u/s.115JB of the Income Tax Act, 1961.

**6. Second Transfer Scheme Balances:**

The Opening balances as on 1<sup>st</sup> April 2008 of all Assets and Liabilities includes balances adopted from the 2<sup>nd</sup> Transfer Scheme Vide G.O.Ms.No.109, dated 29-09-2001 as per the notification of the Government of Andhra Pradesh. The said opening balances are allocated among the circles. The differences between the



book balances as available at unit/circle level and 2nd Transfer scheme are arrived. The data migration audit was also conducted.

**7. Receivable from Govt.:**

Rs.4.60 Crs towards reimbursement of interest on Government of Andhra Pradesh loan for electrification of Dalit wadas and Hamlets/villages receivable from Govt. will be adjusted in 2009-10 against plough back dues.

**8. Third Transfer Scheme with effect from 10<sup>th</sup> June 2005:**

An amendment to the Provisional Third Transfer Scheme (issued under G.O.Ms.No.58, Energy (Pr.III) Department, Dated the 7<sup>th</sup> June, 2005) has been issued vide G.O.Ms.No.53 Dt.28.04.2008 indicating the final allocation of generating capacities. As per this latest G.O. the amendment shall be deemed to have come into force with effect from 9<sup>th</sup> June, 2005. A proposal for representing before Govt.of AP for requesting to give prospective effect to the said amendment G.O is under consideration at APPCC level.

**9. Fixed Assets/Depreciation:**

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.

Assets Costing less than Rs 500/- are charged to Profit and loss account.

The Company's Fixed Assets of Vehicles have been insured fully and other Assets wherever considered essential in view of nature of assets. The Company has taken a fidelity insurance coverage for Rs.150 Crores for the Cash in transit and Rs.50 lakhs for cash on hand.

**10. Terminal Benefits**

a) Liability towards Earned Leave encashment is provided on the basis of Actuarial Valuation. The liability provided during the year 2008-09 is Rs.4.88 crores.  
(Previous Year Rs.22.54 crores)

b) As per the Actuarial valuation report, the total accrued liability as on 31.3.2008 is Rs.224.64 crores and the investments in Pension and Gratuity Trust is Rs.76.85 crores towards future liability. As per decision of Board meeting Dt. 27.09.2008 liability of Rs.49.26 crores is recognized as expenditure during the year 2007-08 and Rs. 61.11 crores is recognized for the year 2008-09 and the balance liability will be provided in the year 2009-10.

11. Security Deposits collected from the consumer to the end of the year is Rs.507.85 crores as against Rs.452.32 to the end of F.Y 2007-08. The interest on Security Deposit is allowed @ 6% per annum as per Regulation 6 of 2004 issued by the APERC. Excess consumption Deposit as per regulation No 6 is pending





adjustment to consumer a/c in cases where consumers have not requested for refund of the same.

12. During the year an amount of Rs. 122.08 crores is received towards consumer contribution. An amount of Rs. 47.15 crores is taken to Revenue account in accordance with accounting policy No. 2.24
13. The Accounting of DD/ Cheque received is being done based on the date of receipt by the concerned unit office.
14. **Inventory:** The following is the position of surplus, Non-moving and obsolete of stock as on 31-03-09.

(Rs. in Lakhs)

Sl. No	Name of the Stores	Scrap (Estimated realizable value)	Surplus	Obsolete	Non-Moving	Un Servicable	Total
1	Srikakulam	18.53	0.00	1.81	5.36	0.00	25.70
2	Vizianagaram	10.78	0.00	0.00	0.00	0.13	10.91
3	Visakhapatnam	54.83	0.00	56.34	29.55	0.00	140.72
4	Rajahmundry	219.49	0.00	0.00	0.00	0.00	219.49
5	Eluru	199.62	0.00	0.00	0.00	0.00	199.62
	<b>TOTAL</b>	<b>503.25</b>	<b>0.00</b>	<b>58.15</b>	<b>34.91</b>	<b>0.13</b>	<b>596.44</b>

15. Preliminary expenses are written off over a period of 10 years, commencing from 2001-02 onwards. Un-amortised portion of Preliminary expenses are disclosed as Intangible Assets in the Balance Sheet.
16. The company has not provided for Deferred Tax Liability / Asset as per the requirements of AS-22 issued by the Institute of Chartered Accountants of India, from the date of incorporation, company has no taxable profit as per regular provision of Income Tax Act, other than the provisions of section 115JB of the Income Tax Act, 1961.



17. Aggregate amount of Capital Liabilities (tentative) falling due for Repayment / Redemption during 2009-10 is:

(Rs. In Crores)

Funding Agency	Principal	Interest
REC	55.35	32.12
PFC	17.00	15.63
Govt. Loan	5.33	1.28
ICICI	4.81	1.78
Bank of Baroda	4.16	1.66
State Bank of Hyderabad	Nil	2.26
Vidyut Bonds	Nil	2.35
TOTAL	86.65	57.08

18. **Purchase of Power:** Consequent to the Andhra Pradesh Gazette Notification No. 396 dated 09.06.2005, for Transfer of Bulk Supply Undertaking and Power Purchase Agreements from AP Transco to Distribution companies:

- Andhra Pradesh Power Transmission Corporation (APTRANSCO) transferred, on 09.06.05, its entire investments in equity of the Company in favour of the Government of Andhra Pradesh upon which, the company ceased to be a subsidiaries of AP Transco.
- The Power Purchases and its accounting are being carried out by the Andhra Pradesh Power Co-ordination committee, and are sent to the Distribution Companies, which are adopted in the company's books.
- A Banks account in the name of AP POWER DISTRIBUTION COMPANIES POOL ACCOUNT has been opened by all the Distribution companies jointly which is being operated by the nominees of Andhra Pradesh Power Co-ordination Committee. Since this is a single account, Distribution company wise confirmation of balance is not available.
- The power purchases and their payments and the inter-state sale of power and their receipts are effected through the above said Bank account by the Andhra Pradesh Power Co-ordination Committee.

19. **Frauds:**

An incident of fraud / misappropriation of funds is identified in Division Office /C&O/Paderu/Visakhapatnam Circle during 2007-08. The said misappropriation pertains to remittance of amounts to outside agencies. An amount of Rs.8.18 lakhs is so far identified and yet to be realized. The departmental enquiry is in progress



Another incident of fraud of Rs.9,06,457/- is identified in ERO/Narisipatnam during 2007-08 on account of misappropriation of funds collected from consumers. So far an amount of Rs.1,09,292/- is realized.

In view of the certainty involved in realization of the balance amount in both the above cases the necessity of provision for the unrealized amount is not felt required.

20. Disclosure of quantitative particulars in pursuance of the requirements of part II to Schedule VI of the Companies Act, 1956:

(a) Quantitative Details of Purchase & Sale of Power and Circle & Sub-transmission losses (as per Energy Billing Center certification grossed up to normative transmission losses)

(In Million Units)

S.No	Particulars	2008-09	2007-08
1	Gross Energy Purchased	9889.058	9250.677
2	Gross Energy Input	9889.058	9250.677
3	Direct Sales:		
	a) EHT	334.981	316.338
	b) HT	75.827	77.669
	c) Total direct Sales (a + b )	410.808	394.007
4	Net Energy Input (2 – 3c)	9478.25	8856.671
5	Sale by Circles:		
	a) EHT(incl. Ferroalloy)	1866.772	1888.405
	b) HT	1724.550	1517.415
	c) LT(Excluding Agl)	3592.397	3316.123
	d) Agricultural Consumption	1508.490	1336.762
	e) Total Sales by Circles	8692.209	8058.705
6	Circle Losses (MU)	786.041	797.965
	Sub-transmission losses (%)	10.225	11.325
	Circle Losses to Gross Input (%)	7.949	8.626
	Discom Losses (%)	8.293	9.010



(b) Payments and benefits to the Chairman and Managing Director and other Directors:

(In Rupees)

Sl.No	Particulars	Sri. N.Gulzar IAS CMD	Sri.Lav Agarwal IAS CMD	Sri V.Surya- narayana, (Director- Operation)	Sri.C Sud- hakar Reddy, (Director- Projects)	Sri.H.Y. Dora (Director- Proj& Comm)	Sri Y.Nara yana, (Director- RA)	Sri V.Kris hna Murthy (Director -Plg)
1	Salary/Remuneration	337695	56712	315220	102780	256950	74598	15601
2	Allowances/DA	68532	13066	50840	15056	41296	12565	2628
3	HRA	(Free Accommodation)		60000	20000	50000	14516	3036
4	Estimated Benefits such as Telephone, Accommodation and Conveyance	82588	7758	90096	30032	75080	21797	4557
5	EPF	0	0	0	0	0	0	
	<b>Total</b>	<b>488815</b>	<b>77536</b>	<b>516166</b>	<b>167868</b>	<b>423326</b>	<b>123476</b>	<b>25822</b>

(c) Sitting fee is paid to Non- whole time directors only and the details are as follows:

(Amount in Rupees)

Sl.No.	Particulars	Sri K.Vijayanand, IAS	Sri K.Gopal Krishna	Sri. B. Umakara Rao	TOTAL
(1)	(2)	(3)	(4)	(5)	(3+4+5)
1	Sitting fee	3,500	1,500	500	5,500
2	Out of pocket expenses	10,500	4,500	1,500	16,500
	<b>Total</b>	<b>14,000</b>	<b>6,000</b>	<b>2,000</b>	<b>22,000</b>

Loans and Advances include Advances / Loans to Directors of Rs. - NIL

Maximum amount outstanding at any time during the year is Rs. - NIL



(d) Details of Remuneration to Auditors:

(Rupees in Lakhs)

	Particulars	2008-09	2007-08
a)	For Statutory Audit Fee	3.39	3.39
b)	For Tax Audit Fee	0.83	0.83
c)	For Company Law Matters	0	0
d)	For Other Services	0	2.24
e)	For reimbursement of out of pocket expenses	1.00	1.00
	Total	5.22	7.46

(e) During the year the Company has not incurred expenditure in Foreign Currency.

21. Court Cases / Legal Disputes / Contingent liabilities:

- The receivables for sale of power as on 31-03-09 include Rs. 66.11 Crores, which are Subject to finalisation of disputes in, court cases.
- Demand of Rs.5.78 crores (previous year Rs.7.78 crores) raised on the participating industries of APGPCL during 2008-09 is in dispute. Realisability of the same depends on the outcome upon finalisation of the said dispute. The corresponding power purchase cost to the tune of Rs. 4.16 crores (previous year Rs. 3.07 crores) is also provided in the books of account based on matching concept.
- Arbitrator appointed by Hon'ble High Court had passed (October 2007) an award directing the Company for payment of Rs. 71.25 lakh with interest at 12 per cent per annum to Nagarjuna Construction Company Limited towards service tax incurred by them in respect of works executed for the Company. The company had disputed the claim and filed (31.12.2007) Original petitions (Ops) against the award and the same are pending in City Civil Court, Hyderabad.
- An agreement was entered with M/s Tata Projects Ltd., Hyderabad for erection of 6 Nos. substations. As the works executed are under partial turnkey basis, the Contractor demanded for the penalty for the delay in handing over the sites and material for an amount of Rs.73, 45,170/- as penalty. An Arbitrator was appointed by the High Court of A.P. and award was passed on May 4<sup>th</sup> 2009, favouring the Contractor, against the orders appeal is to be preferred.
- An amount of Rs. 97,86,824/- & 3,37,740/- deposited at Hon'ble A.p. High Court under Protest against the SSI penal interest.
- There is dispute on implementation of Employees Provident Fund Scheme in respect of Contract labour engaged for which notices received from the Provident fund Authorities against that certain amounts were paid under protest and appealed to Tribunal/ High court.



The division wise details are furnished hereunder

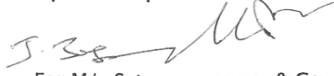
Division	Amount involved	Paid/Deposited
Eluru	56,89,348	27,37,286
T.P.Gudem	28,22,685	12,51,343
Bhimavaram	19,98,775	9,96,888
Nidadavole	24,66,745	24,66,745
Kakinada	21,14,847	10,57,424
Jaggampeta	16,65,572	8,32,786
Rajahmundry	21,15,414	10,57,707
Ramachandrapuram	11,89,291	8,17,461
Circle Office/Rjy	7,98,764	3,99,382
Anakapalli	8,94,858	4,47,429
Paderu	8,04,620	4,02,310
Circle Office/VSP	2,41,229	1,20,615
Bobbili	11,38,996	5,69,498
Vizianagaram	15,11,684	7,55,843
Circle Office/VZM	1,87,954	1,26,677

- g) The Company is contingently liable for Entry Tax of Rs. 6.58 Crs. from June 2002 onwards for procurement of Transformers and conductors. The company had gone for Appeal before Andhra Pradesh Sales Tax Appellate Tribunal, Hyderabad for the period from June 2002 to Nov 2004 and also obtained stay on collection or recovery from A.P. High Court for the same period. An amount of Rs.3.01 crores deposited with Commercial Tax Officer as per the directions of the Hon'ble High Court of AP, as the case is still pending before the Sales Tax Appellate Tribunal, Visakhapatnam. Hence there is a possibility of getting refund of Rs.3.01 crores in view of Hon'ble A.P.High Court judgement. The refund will be claimed before Sales Tax Appellate Tribunal as and when it restores normal activity.
- h) Demand raised by Central Excise authorities in Eluru Circle for an amount of Rs.20.11 Lakhs relating to manufacture of PSCC poles etc., is pending before Appellate authorities.
- i) Klen & Marshall the 'Lessor' of certain equipment to the Company has claimed Rs1.40 Crores towards lease rentals of ELURU circle for the period from Sep-05 to Sep-2006. The same is not taken into books of accounts as expenditure as the matter is under dispute before High Court.
- j) An amount of Rs 265597.00 is deposited in court under protest in respect of fatal accident compensation in Bobbili Division of Vizianagaram Circle.



- k) An amount of Rs 208742.00 is deposited in court under protest in respect of fatal accident compensation in Vizianagaram Division of Vizianagaram Circle.
- l) An order passed by the Tribunal cum I Additional Judge, W.G.Eluru directing to pay an amount of Rs.716944.00 towards compensation against Non-Departmental non fatal accident. Appeal has to be preferred before the Tribunal.
- m) An order passed by the Tribunal cum I Additional Judge, W.G.Eluru directing to pay an amount of Rs. 446127.00 towards compensation against Non-Departmental non fatal accident. Vakalat filed in the Hon'ble High Court of A.P. Hyderabad on 15-8-08 against the judgement in lower court.
- n) An amount of Rs. 100000-00 deposited at senior civil Judge Kovvuru, against Non-departmental fatal accident case for Rs. 500000-00
- o) High Court has disposed the case pertaining to M/s Dasika Industrial Chemicals Ltd., Bhimavaram -Eluru and proposal for withdrawal of amount of Rs.38.43 lakhs involved. There in is under consideration.
22. Previous years figures are regrouped and rearranged where ever necessary.
23. Amounts have been rounded off to nearest rupee.


As per our report attached

  
For M/s Satayanarayana & Co.  
Chartered accountants

J. Jagannadha Rao  
Partner  
Membership No: 6239

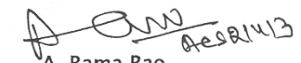


  
P. Hariprasad, I.R.A.S  
Director(Finance)

  
K.S. Bhaskara Rao  
Chief General Manager (Expr.)

For and on behalf of the board

  
Gulzar N, T.A.S  
Chairman & Managing Director

  
A. Rama Rao  
Company Secretary



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009**

**Statement-7**

(Rs. in Lakhs)

	Particulars	2008-09	2007-08
<b>A</b>	<b>Cash Flow From Operation Activities:</b>		
	<b>Net Profit Before Tax</b>	<b>1358.95</b>	<b>4086.94</b>
	<u>Adjustments For:</u>		
	Depreciation	15762.69	2943.11
	Interest (Net)	10556.37	10596.97
	Adjustments for Employees terminal benefits like GPF & P&G	15482.46	-5211.55
	<b>Operating Profit before Working Capital Changes</b>	<b>43160.47</b>	<b>12415.47</b>
	<u>Adjustments for :</u>		
	(Increase)/Decrease in Trade and Other Receivables	-111355.31	6591.81
	(Increase)/Decrease in Inventories	1177.22	128.03
	(Increase)/Decrease in Miscellaneous Expenditure not Written Off	1.96	1.96
	Interest to Consumers on Security Deposits	-2635.89	-2390.99
	Increase/(Decrease) in Trade Payables	19589.85	7815.56
	<b>Cash Generated from Operations</b>	<b>-50061.70</b>	<b>24561.84</b>
	Provision for Income Tax	314.93	554.54
	Amortisation of consumer contribution, Subsidies and Grants towards cost of capital assets	4714.80	4082.17
	Net borrowings towards working capital	91238.00	14351.37
	<b>Net Cash From Operating Activities</b>	<b>36146.58</b>	<b>34276.50</b>
<b>B</b>	<b>Cash Flow From Investing Activities</b>		
	Purchase of Fixed Assets (Including Interest Capitalised)	-34795.11	-25223.92
	Purchases of Investments - including Contingency Reserve in Govt. Bonds	-18.11	0.00
	Interest Received	2787.85	1863.26
	Increase/(Decrease) in Liability for Capital Works	3066.54	-2309.20
	Accumulated Interest on Investments through Contingency Reserve	47.07	67.30
	<b>Net Cash (used in)/from Investing Activities</b>	<b>-28911.76</b>	<b>-25602.56</b>
<b>C</b>	<b>Cash Flow From Financing Activities:</b>		
	Proceeds from issue of Share Capital	0.00	0.00
	Proceeds from Long Term Borrowings	11056.74	22237.40
	Proceeds from Govt. as Subsidy & Grants	0.00	0.00
	Proceeds of Consumer Contribution for capital Assets	12207.81	9933.74
	Repayment of Long Term Borrowings	-13594.25	-24498.61
	Interest Paid	-10708.33	-10069.24
	<b>Net Cash (used in)/ From Finance activities</b>	<b>-1038.03</b>	<b>-2396.71</b>
	Net(decrease)/increase in cash and cash equivalent(A+B+C)	6196.79	6277.23
	Cash and Cash Equivalents at Beginning of the year	15011.59	8734.36
	Cash and Cash Equivalents at end of the year	21208.38	15011.59

As per our report attached

For M/s Satyanarayana & Co.  
Chartered accountants

J. Jagannatha Rao  
Partner

Membership No: 6239



P. Hariprasad, I.R.A.S  
Director(Finance)

K.S. Bhaskara Rao  
Chief General Manager (Expr.)

For and on behalf of the board

Gulzar N. I.A.S  
Chairman & Managing Director

A. Rama Rao  
Company Secretary





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

<b>SCHEDULE VI PART IV</b>	<b>BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE</b>	<b>THE COMPANIES ACT, 1956 (1ef 1956)</b>
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**I. Registration Details :** Registration No. 

	3	4	1	1	7
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 State Code 

0	1
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 Balance Sheet Date 

3	1	0	3	0	9
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(Refer Code List)

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

Public Issue	<table border="1"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L				Rights Issue	<table border="1"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L			
			N	I	L																
			N	I	L																
Bonus Issue	<table border="1"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L				Private Placement	<table border="1"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L			
			N	I	L																
			N	I	L																

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

Total Liabilities	<table border="1"><tr><td> </td><td>2</td><td>5</td><td>4</td><td>5</td><td>1</td><td>0</td><td>8</td><td>7</td></tr></table>		2	5	4	5	1	0	8	7	Total Assets	<table border="1"><tr><td> </td><td>2</td><td>5</td><td>4</td><td>5</td><td>1</td><td>0</td><td>8</td><td>7</td></tr></table>		2	5	4	5	1	0	8	7
	2	5	4	5	1	0	8	7													
	2	5	4	5	1	0	8	7													

**Sources of Funds**

Paid - up Capital	<table border="1"><tr><td> </td><td> </td><td>1</td><td>2</td><td>1</td><td>2</td><td>2</td><td>5</td><td>3</td></tr></table>			1	2	1	2	2	5	3	Reserves & Surplus	<table border="1"><tr><td> </td><td> </td><td>1</td><td>8</td><td>9</td><td>8</td><td>7</td><td>7</td><td>0</td></tr></table>			1	8	9	8	7	7	0
		1	2	1	2	2	5	3													
		1	8	9	8	7	7	0													
Secured Loans	<table border="1"><tr><td> </td><td>1</td><td>7</td><td>1</td><td>5</td><td>6</td><td>3</td><td>3</td><td>3</td></tr></table>		1	7	1	5	6	3	3	3	Unsecured Loans	<table border="1"><tr><td> </td><td> </td><td>5</td><td>1</td><td>8</td><td>3</td><td>7</td><td>3</td><td>0</td></tr></table>			5	1	8	3	7	3	0
	1	7	1	5	6	3	3	3													
		5	1	8	3	7	3	0													

**Application of Funds**

Net Fixed Assets	<table border="1"><tr><td> </td><td>1</td><td>5</td><td>5</td><td>2</td><td>0</td><td>6</td><td>5</td><td>6</td></tr></table>		1	5	5	2	0	6	5	6	Investments	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>9</td><td>2</td><td>3</td><td>0</td><td>8</td></tr></table>						9	2	3	0	8
	1	5	5	2	0	6	5	6														
					9	2	3	0	8													
Net Current Assets	<table border="1"><tr><td> </td><td> </td><td>9</td><td>8</td><td>3</td><td>7</td><td>7</td><td>3</td><td>2</td></tr></table>			9	8	3	7	7	3	2	Miscellaneous Expenditure	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>3</td><td>9</td><td>1</td></tr></table>								3	9	1
		9	8	3	7	7	3	2														
							3	9	1													
Accumulated Losses	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																					

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

Turnover	<table border="1"><tr><td> </td><td>3</td><td>5</td><td>3</td><td>4</td><td>1</td><td>4</td><td>9</td><td>2</td></tr></table>		3	5	3	4	1	4	9	2	Total Expenditure	<table border="1"><tr><td> </td><td>3</td><td>5</td><td>1</td><td>0</td><td>3</td><td>8</td><td>4</td><td>4</td></tr></table>		3	5	1	0	3	8	4	4
	3	5	3	4	1	4	9	2													
	3	5	1	0	3	8	4	4													
Profit / Loss before Tax	<table border="1"><tr><td> </td><td> </td><td> </td><td>2</td><td>3</td><td>7</td><td>6</td><td>4</td><td>7</td></tr></table>				2	3	7	6	4	7	Profit / Loss after Tax	<table border="1"><tr><td> </td><td> </td><td> </td><td>2</td><td>0</td><td>6</td><td>1</td><td>5</td><td>4</td></tr></table>				2	0	6	1	5	4
			2	3	7	6	4	7													
			2	0	6	1	5	4													

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

Earning per Share in Rs.	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										Divident rate %	<table border="1"><tr><td> </td><td> </td></tr></table>		

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

Item Code No. (ITC Code)	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																														
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)	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																														
Product Description	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																														
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Note : For ITC Code of Products please refer to the publication Indian Trade Classification based on harmonized commodity description and coding system by Ministry of commerce, Directorate General of Commercial Intelligence & Statistics, Calcutta - 700 001



**EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED**

Regd. Office: P&T Colony, Seethammadhara,  
Visakhapatnam – 530 013

**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 Nineth Annual General Meeting of  
the Company to be held on 24<sup>th</sup> September, 2009 at the Registered Office of the company at  
P&T Colony, Seethammadhara, Visakhapatnam – 530 013 or at any adjournment thereof.

Please affix  
Rs.1/-  
Revenue  
Stamp

Place:

Date :