



## EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

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

### NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the Eastern Power Distribution Company of Andhra Pradesh Limited will be held on Friday, the 30<sup>th</sup> day of November, 2007 at 4.00 P.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 Annual Accounts of the Company for the Financial Year 2006-2007, together with the Directors' Report, the Auditors Report and the comments of the Comptroller and Auditor General of India.

#### Draft Resolution:

"RESOLVED THAT the Audited Balance Sheet of the Company as on 31<sup>st</sup> March, 2007 and the Revenue Account for the year ended on that date; together with the Auditors Report and the comments of the Comptroller and Auditor General of India thereon; and the Directors' Report thereto be and are hereby adopted."

2. To fix the remuneration of Statutory Auditors appointed by the Comptroller and Auditor General of India for the Financial Year 2007-2008.

The Office of the Comptroller and Auditor General of India vide their letter No. CA. V / COY / ANDHRA PRADESH, EASTP (1) / 118, dated 01.08.2007 appointed M/s Sagar and Associates, Chartered Accountants as Statutory Auditors of the Company for the financial year 2007-2008.

#### Draft Resolution:

"RESOLVED THAT the appointment of M/s Sagar and Associates, Chartered Accountants as Statutory Auditors of the Company for the Financial Year 2007-2008 by the Office of the Comptroller and Auditor General of India vide their letter No. CA. V / COY / ANDHRA PRADESH, EASTP (1)/118, dated 01.08.2007 be noted.



RESOLVED FURTHER 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 of the Statutory Auditors and to provide for reimbursement of their actual out-of-pocket expenses for the Financial Year 2007-2008."

By Order of the Board

Place : Visakhapatnam

Date : 22.11.2007

P.VITHAL KUMAR

Company Secretary

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### 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.2006-2007 shall be placed before the shareholders at the AGM.



## *Directors' Report*









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

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

### DIRECTORS' REPORT

Dear Shareholder,

Your directors take immense pleasure in presenting the Seventh Annual Report of the Company together with the Audited statement of Accounts for the year ended 31<sup>st</sup> March 2007. During the seventh 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 7732.923 Million Units, an increase of 7.68% as compared to 7181.43 Million Units for the previous year. The aggregate technical and commercial losses were brought down to 12.439% from 12.949% in the previous year. During the year, the DPE wing has inspected 39.300 services and assessed an amount of Rs.11.27 Crores in respect of 6792 cases booked, relating to pilferage, malpractice, back billing, etc.; out of which an amount of Rs.3.77 Crores has been realised.

During the year under review, Implementation of the High Voltage Distribution System (HVDS) facilitated erection of around 7108 Nos. smaller capacity Distribution Transformers and conversion of 1654 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 76,958 Meters were installed Under APDRP during the year. Under the APDRP and other Schemes, 20 Nos. 33/11 KV Sub-Station were commissioned. About 233 colonies were electrified during the year.

#### FINANCIAL HIGHLIGHTS

The financial performance of the Company for the F.Y.2006-2007 as against APERC Targets and in comparison with previous year is as follows:

(Rs. Crores)

	Particulars	ARR Target 2006-07	Actuals 2006-07	Actuals 2005-06
I	Revenue			
	Sale of Power (incl. Electricity Duty)	1995.58	1977.82	1764.30
	Inter state sales and Inter Discom Sales		165.84	232.70
	Non-Tariff Income	131.88	200.75	135.15
	Wheeling Charges	0.10		
	Subsidy	6.61	6.61	31.29
	Total Revenue	2134.17	2351.02	2163.44
II	Expenditure			
	Power Purchase	1726.22	1939.74	1727.73
	Electricity Duty	30.55	28.34	25.42
	Employee Cost	164.33	186.55	137.27
	Administration & General Charges	35.11	37.33	33.25



	Repairs & Maintenance	16.54	11.19	12.54
	Interest & Finance Charges	83.66	108.28	105.63
	Depreciation	93.51	139.04	121.72
	Other Expenses - Corporate Exp.	1.93	1.73	4.84
	Extra-ordinary items consisting of amortisation of consumers contribution, subsidies, grants etc., pertaining to previous years		(88.56)	
	Prior Period Charges		(3.06)	10.00
	Special Appropriation – Contingency Reserve	5.00	5.00	2.95
	Less: 1. Expenses Capitalized	25.52	20.91	17.51
	2. Interest During Construction (IDC)		4.78	18.98
	Total Expenditure	2131.32	2339.89	2144.86
	Profit before Tax	2.85	11.13	18.58
	Provision for Income Tax & FBT		2.35	2.63
III	Profit after Tax	2.85	8.78	15.95

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

## EXPENDITURE CONTROL

The actual expenditure during the year was Rs.2339.89 Crores as against the APERC approved estimate of Rs.2131.33 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
	2006-2007	2006-2007	
Power Purchase	1726.22	1939.74	Actual Power purchase cost is Rs. 2.22/unit as against the target power purchase cost of Rs.1.91/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	164.33	186.55	The increase in actual expenditure is due to the impact of pay revision and provision of liability towards Earned leave encashment.
Depreciation	93.51	139.04	Increase in depreciation is due to a) non-deduction of consumers contribution, capital subsidies etc from cost of fixed assets while calculating actual depreciation; and b) Provision of depreciation on additions to fixed assets from the date of capitalization.
Interest & Finance Charges	83.66	108.28	Incentive of Rs.31.27 crores given to HT-1 category consumers is included in the Actual interest and finance charges of Rs.108.28 crores whereas the same as per Tariff Order is reduced from revenue from sale of power from HT category-1 consumers.
Admn. and Gen. Charges	35.11	39.33	Increase in actual expenditure is mainly because of Increase in other professional charges which is attributable to increase in outsourcing collection agencies.
Repairs and Maintenance	16.54	11.19	Expenditure during the year on this account is well within the budget/Limits.



## SURPLUS IN REVENUE ACCOUNT:

During the year 2006-07 the Company achieved a surplus after tax of Rs.8.78 Crores after creation of Special appropriation for safety reserve Rs 5.00 Crores and Provision of Rs.2.35 Crores towards Minimum Alternate Tax and Fringe Benefit Tax under the provisions 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, 2007 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 2006-07.

## 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

Your Board of Directors consists of the following 5 Directors, out of whom 2 are Non-Whole Time Directors:

Name of the Director	Designation	Date of appointment
Sri Lav Agarwal, IAS	Chairman & Managing Director	29.05.2007
Sri Harish Kumar, IAS	Non-Whole Time Director	13.06.2006
Sri K.Gopala Krishna	Non Whole Time Director	07.10.2006
Sri C.Sudhakar Reddy	Director (Projects)	27.06.2005
Sri V.Suryanarayana	Director (Operation)	30.06.2007

During the year, the Company held 4 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	29.06.2006	3	1
2	28.09.2006	4	1
3	28.12.2006	4	0
4	08.03.2007	4	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 Harish Kumar, IAS	Non Whole Time Director	Joint Managing Director (HRD, Comml., IPC & Reforms), APTRANSCO
Sri K.Gopala Krishna	Non Whole Time Director	Director (Projects, Grid Operation & Co - Ordination), APTRANSCO
Sri C.Sudhakar Reddy	Director (Projects)	Nil

During the year, the Company held 3 Audit Committee 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	29.06.2006	1	1
2	28.12.2006	1	0
3	08.03.2006	1	2

## AUDITORS

The Office of the Comptroller and Auditor General of India (C&AG) have appointed M/s Sagar & Associates, Chartered Accountants as Statutory Auditors of the Company for the Financial Year 2007-2008 also.

## 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 (CAG) 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, 2007; 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.



## CUSTOMER SERVICE

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

- Telephonic confirmation of release of service/resolution of complaints from consumers.
- MOU with DRDA for registration of Rural Supply failure complaints at Customer Service Centers.
- Registration of all Customer Service at Urban e-Seva Centers in addition to existing bill collection service.
- Increasing Customer Service Centers by franchising Rajiv EPDCL Centers at section offices.
- Appointing outsourced CSC Managers to improve functional efficiency of Customer Service Centers.

## INFORMATION TECHNOLOGY

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

- E-Vaaradhi: This system handles and disseminates information relating to power supply position of all the consumers in the major towns, consumers' bill details and payment position to contractors/suppliers.
- SAP: SAP is implemented successfully in all the circles of EPDCL. From 01.09.07 and all the live transactions are routed through SAP.
- LAN for all the offices: Setting up of LAN is completed in all the Circle offices, Division offices and ERO offices in the company; thereby establishing connectivity between corporate office and other offices.
- Document Management System: A transparent system for tracking letters, currents, documents, etc. and enabling generation of MIS was developed and successfully implemented in the corporate office.
- Intranet: An information portal for EPDCL officers is developed and hosted through the Company Website, which can also be accessed through LAN.
- EP-IMRS (Eastern Power – Information Management and Reporting System): developed an application to stream line the activities from section office and to integrate the process to all the connected offices on an ERP architecture. This is an inhouse development and recently implemented in one sub – division on trail basis.
- GIS: With a view to create an asset and consumer indexing data on geographical Information System for all the 29 towns in the DISCOM this project was taken up under APDRP scheme.

## HUMAN RESOURCE DEVELOPMENT ACTIVITIES

- During the year, recruitments were made to the cadre of Sub – Engineer, JAOs and Asst. Engineer as per policy.
- The training activities were kept at high momentum and the performance of training mandays for the year stood at 96.47% over 91.48% in 2005-2006.
- 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 Chairperson & Managing Director, APTRANSCO and Chairman & Managing Directors of sister Distribution Companies. We Welcome Sri Lav Agarwal, IAS, our new Chairman & Managing Director and Sri K.Gopala Krishna, who has been appointed as Non Whole Time Director on the Board recently. We also place on record our appreciation for the excellent contribution rendered by Sri Praveen Prakash, IAS as Chairman & Managing Director; Sri Arijit K.Ghosh, Director Finance and Sri Gazula Kesava Rao, as Non Whole Time Director during their tenure as Directors 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

**Sri Lav Agarwal**, IAS  
Chairman & Managing Director

... committed to **grow**



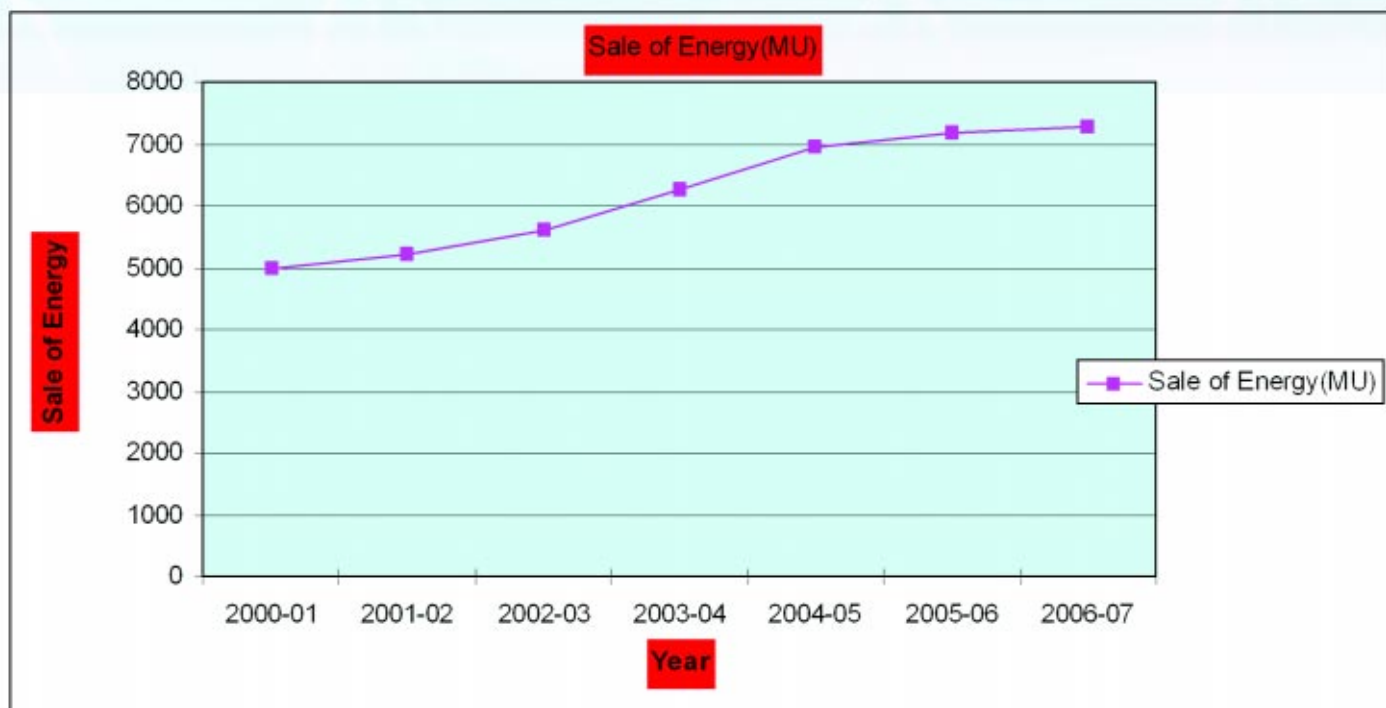
*“Energy and persistence conquer all things.”*

*- Benjamin Franklin*

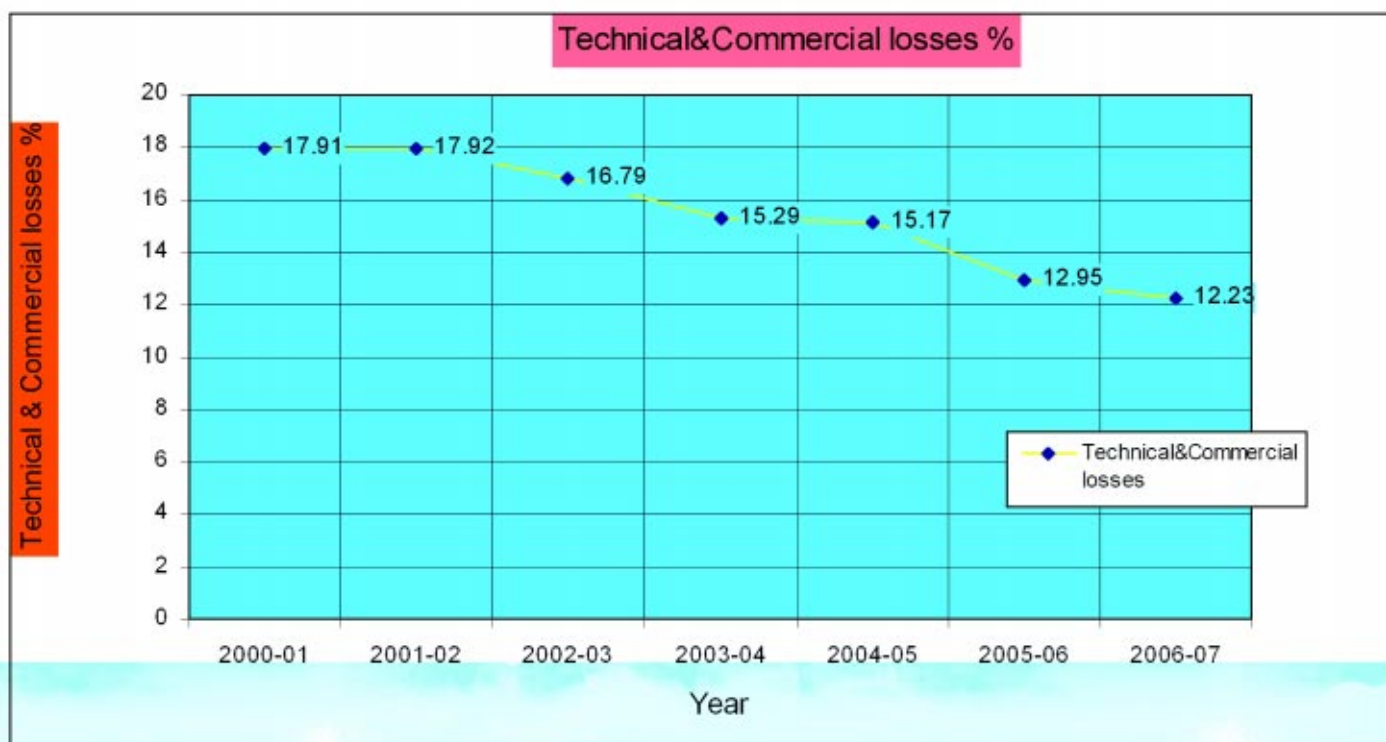




## SEVEN YEARS PERFORMANCE AT A GLANCE

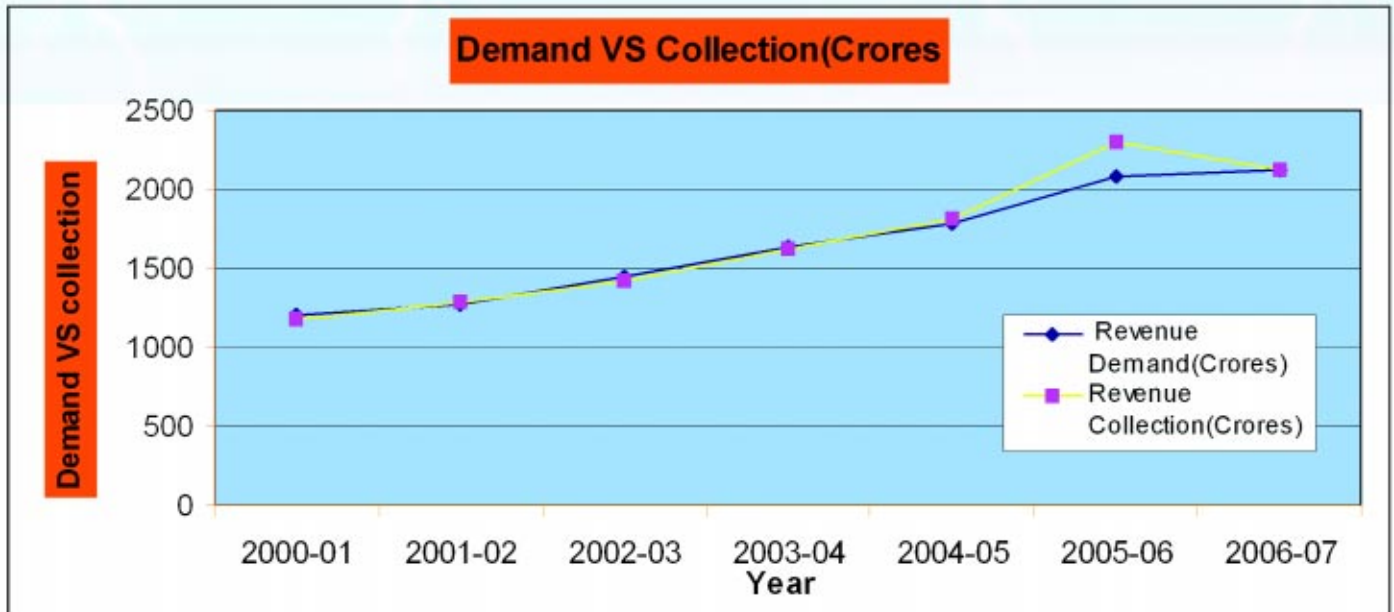


YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Sale of Energy (MU)	4968.5	5200.486	5594.837	6245.962	6939.063	7181.43	7268.252

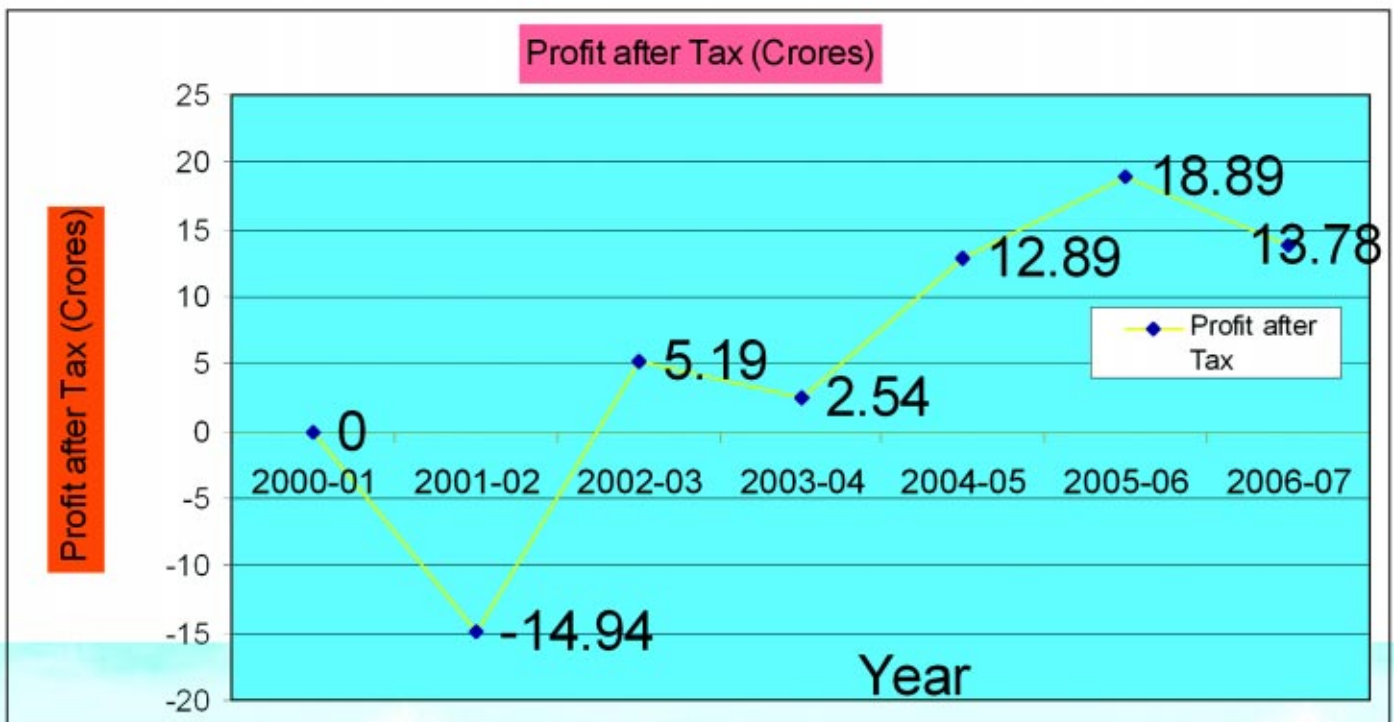


YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Technical & Commercial losses	17.91	17.92	16.79	15.29	15.17	12.95	12.23





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



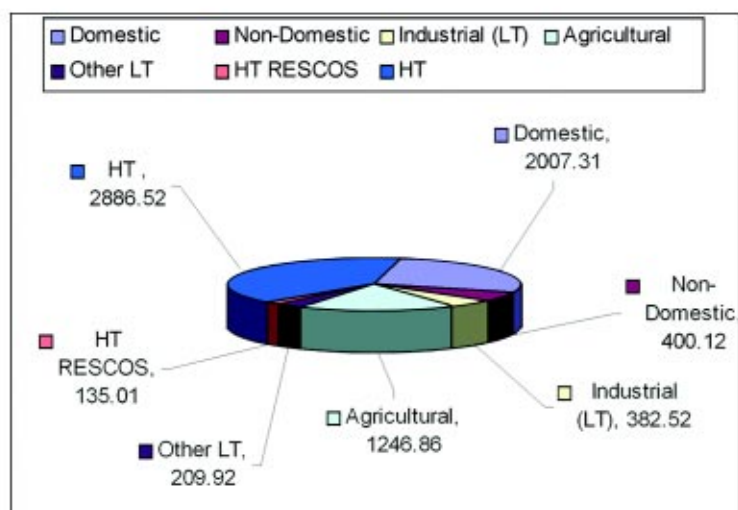
YEAR	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Profit after Tax	0	-14.94	5.19	2.54	12.89	18.89	13.78



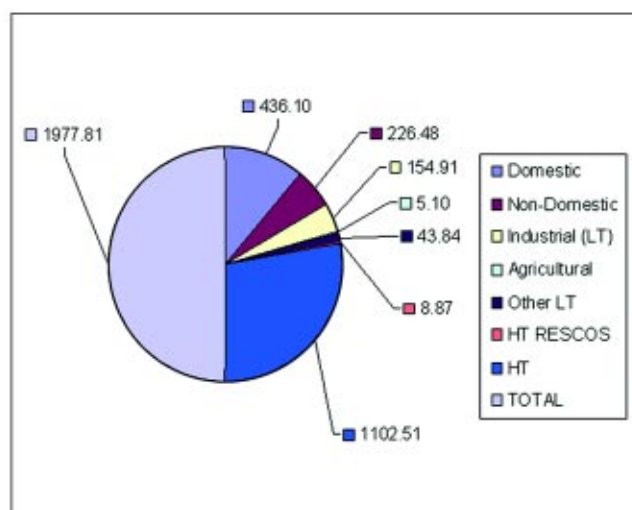
## SALES AND REVENUE - CATEGORY WISE 2006 - 07

Particulars	SALES		REVENUE	
	MU	%	Rs. Crores	%
Domestic	2007.31	27.62	436.10	22.05
Non-Domestic	400.12	5.51	226.48	11.45
Industrial (LT)	382.52	5.26	154.91	7.83
Agricultural	1246.86	17.15	5.10	0.26
Other LT	209.92	2.89	43.84	2.22
HT RESCOS	135.01	1.86	8.87	0.45
HT	2886.52	39.71	1102.51	55.74
TOTAL	7268.25	100.00	1977.81	100.00

CATEGORY 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 2007.

### 1. Revenue Account

#### Income

#### Revenue from Sale of Power (Schedule-1)

#### Miscellaneous Revenue

Recoveries for theft of power/ Malpractices : Rs.5.37 crore

The above is overstated by Rs.1.98 crore due to incorrect accountal of the demand in respect of Theft of Energy/ Malpractice Initial Assessment cases, contrary to the accounting practice followed by the Company as indicated in Note No. 3(g) of Notes to Accounts. This has resulted in overstatement of "Receivables against supply of power-Provision for unbilled revenue" and "Profit before Tax" by Rs. 1.98 crore.

### 2. Other Income (Schedule-5)

Miscellaneous Receipts- Rs.6.36 crore

The above is understated by Rs. 3.06 crore due to non-accountal of the Foreign Exchange Regulation Variation Credit for the year 2006-07 passed on by NTPC (Simhadri TPS) through the power purchase bill for the month of May 2007, received on 06.06.2007. The accounts of the Company for the year 2006-07 are open as on 06.06.2007, necessary adjustment should have been made in accounts. This has also resulted in understatement of "Profit before Tax" by Rs.3.06 crore.

### 3. Other Income (Schedule-5)

Miscellaneous Receipts- Rs.6.36 crore

The above is understated by Rs.57.15 lakh due to non-accountal of credit on account of Short Term Open Access for March 2007 (Rs.20.12 lakh) and Unscheduled Inter-change Credits for the year 2006-07 (19.02.2007 to 31.03.2007) (Rs. 37.03 lakh) passed on by PGCIL in May 2007. This has resulted in understatement of "Profit before Tax" by Rs.57.15 lakh.

### 4. Expenditure

#### Purchase of Power (Schedule-6)

Rs.1939.74 crore

The above is understated by Rs. 26.73 lakh due to non- accountal of O&M expenditure on regional assets Power Grid Corporation of India Limited on account of revision of O&M expenditure for the years 2001-02 to 2003-04 as per CERC order dated 28.08.2006. The advice has been received by the Company on 02.05.2007. This has resulted in overstatement of "Profit before Tax" by Rs. 26.73 lakh



## 5. Depreciation and Related Debits(Net) (Sch-11) Depreciation -Rs.138.79 crore

The above is understated by Rs.37.13 lakh due to non-accountal of depreciation on "Spare units/Service units as required under clause 2.88 of "Annexure-III-Basic Accounting Principles and Policies" to the ESAAR 1985. A reference is also invited to Note No.1 of Notes to Accounts and Policy No.2.39 of Accounting Principles and Policies. This has resulted in overstatement of "Profit before Tax" by Rs.37.13 lakh

## 6. Net Prior Period Credits/Charges (Schedule-18) -Rs.3.06 crore

A reference is invited Comment No.8 of the Comptroller and Auditor General of India on the accounts of the Company for the year 2005-06 wherein accountal of Rs.2.96 crore towards Property Tax for which the Company has no liability, under "Prior Period Expenses/Losses-Other Charges" was pointed out. The management in their printed reply indicated to carry out necessary adjustment in the accounts for the year 2006-07. However, the rectification was not done during the year resulting in understatement of "Net Prior Period Credits" and "Surplus" for the year by Rs.2.96 crore.

## 7. Balance Sheet

### Net Assets

#### Capital Expenditure-in-progress (Sch-21)

Capital Work-in-Progress Rs.186.52 crore

The above is overstated by Rs.34.86 lakh due to double accountal of APEPDCL share of System Application Product for data management (SAP) implementation License Fee erroneously during the year 2005-06. Non-accountal of rectification adjustment during the year has resulted in understatement of "Prior Period Expenses/Losses" and overstatement of "Surplus" for the year by Rs. 34.86 lakh

## 8. Total Current Assets (Sch-26)

### Receivables against supply of power

#### (Sch-26(b))

Sundry Debtors -Miscellaneous Receipts from Consumers- Rs.4.08 crore

A reference is invited to Comment No. 10 of the Comptroller and Auditor General of India on the accounts of the Company for the year 2005-06, wherein non-reversal of the provision for surcharge on Additional Consumption Deposit for the year 2004-05 amounting to Rs.56 lakh was commented upon. Management agreed to carry out necessary rectification during the year 2006-07. Not doing so has resulted in overstatement of "Net Prior Period Credits/ (Charges) - Income relating to previous year", "Sundry Debtors-Miscellaneous Receipts from Consumers" and "Surplus" for the year by Rs.56 lakh

## 9. Other Current Liabilities (Schedule-28)

Deposits and retentions from suppliers and contractors-Rs.37.16 crore

The above includes Rs.25.00 lakh being a specific grant received from Government of Andhra Pradesh (August 2006) towards the cost of flood relief assistance incurred by the Company. Non-adjustment of the grant against the expenditure incurred has resulted in overstatement of "Deposits and retentions from suppliers and contractors", "Extraordinary Items-Extraordinary debits (Loss on account of flood, cyclone, fire etc)" and understatement of "Profit before Tax" by Rs.25.00 lakh

## B. Comments on Financial Position

### 10. Balance Sheet

Net Assets

Total Current Assets (Sch.26)

Stocks--(Schedule-26(a))

Materials pending Inspection-Rs.85.61 lakh

The above is understated by Rs.64.44 lakh due to non-accountal of the value of materials received in stores before 31 March 2007 and pending inspection in Eluru Circle. This has resulted in understatement of "Other Current Liabilities-Liability for O&M supplies/works" by Rs.64.44 lakh.

## C. Comments on Disclosure

### 11. Balance Sheet

Net Assets

Capital Expenditure-in-progress (Schedule-21)

Capital Work-in-Proress: Rs.186.52 crore

The above includes Rs.1.30 crores being the value of 33/11KV Sub-station erected at Achutapuram, as part of the infrastructural facilities to be provided by Govt. of Andhra Pradesh to Brandix Lank Ltd., for development of integrated textile park at Visakhapatnam. The amount is required to be reimbursed to the Company by the Government of Andhra Pradesh through AP Transco. This fact should have been disclosed in the "Notes to Accounts"

### 12. Total Current Assets (Sch-26)

Receivables against supply of power (Schedule -26(b))

Sundry Debtors for sale of power-Rs.159.62 crore

The above includes Rs.2.16 crore being the differential deemed consumption charges for Ferro Alloys Units for the period November 2002 to March 2006 as accounted for by the Company and as ordered by the Forum for Redressal of Consumer Grievances (CGRF) in their order dated 04.12.2006. The amount is not receivable by the Company as per the



orders of CGRF and the Company considered to refer the issue to APERC for clarification. As an element of uncertainty regarding collectibility is attached to the debt, the fact should have been disclosed in the "Notes to Accounts"

## 13. Notes to Accounts (Statement – 5)

### General

The Company is not claiming, collecting and remitting Electricity Duty (ED) on the power sold to Ferro Alloy units as per the provisions of Andhra Pradesh State Electricity Duty Act, 1939. The Electricity Duty not collected and remitted in respect of Ferro Alloys units for the period 2003-04 to 2006-07 amounted to Rs.12.32 crore. This fact has not been disclosed.

### D. Comments on Auditors' Report

#### 14. (i) Annexure to the Auditors Report

##### Item No.3(a)

A reference is invited to Item No.3(a) which reads as follows:

"According to the information and explanations given to us and the records produced to us for our verification, the company has granted loans to two companies covered in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs.110 crore

The above observation is factually not correct as the amount of Rs.110 crore represented the Loans/ Inter Corporate Deposits made with APSPDCL (Rs. 30 crore); APNPDCL (Rs.30 crore) and to an Apex Committee constituted by Government of Andhra Pradesh named Andhra Pradesh Power Coordination Committee, which is not a Corporate body.

#### 14. (ii) Annexure to the Auditors Report

##### Item No. 3(c)

A reference is invited to Item No.3(c) which reads as follows:

"According to the information and explanations given, one of the two companies to whom loans were granted, has paid interest as stipulated. There was no payment of principal amount during the year".

The above statement is not correct as the Loan/Inter Corporate Deposit given was to two Companies (APNPDCL and APSPDCL) and Andhra Pradesh Power Coordination Committee. Out of the opening balance of loan (Rs.30 crore) outstanding as on 01.04.2006, APNPDCL repaid an amount of Rs. 15 crore on 05.04.2006 indicating payment of principal amount during the year, rendering the Auditors observation incorrect.

Hyderabad,  
Date : 29.11.2007

Sd/-  
P.J. MATHEW  
Accountant General (C&RA)

## EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED CORPORATE OFFICE :: VISAKHAPATNAM

Replies To 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 2007

Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
A	Comments on Profitability	
1	<p>Revenue Account Income Revenue from Sale of Power (Schedule-1) Miscellaneous Revenue Recoveries for theft of power/ Malpractices : Rs.5.37 crore</p> <p>The above is overstated by Rs.1.98 crore due to incorrect account of the demand in respect of Theft of Energy/ Malpractice Initial Assessment cases, contrary to the accounting practice followed by the Company as indicated in Note No. 3(g) of Notes to Accounts. This has resulted in overstatement of "Receivables against supply of power-Provision for unbilled revenue" and "Profit before Tax" by Rs. 1.98 crore.</p>	<p>Audit observation is noted. Facts will be ascertained from concerned units and necessary accounting entries will be made in the accounts for the Financial Year 2007-08</p>
2	<p>Other Income (Schedule-5) Miscellaneous Receipts- Rs.6.36 crore</p> <p>The above is understated by Rs. 3.06 crore due to non-accountal of the Foreign Exchange Regulation Variation Credit for the year 2006-07 passed on by NTPC (Simhadri TPS) through the power purchase bill for the month of May 2007, received on 06.06.2007. The accounts of the Company for the year 2006-07 are open as on 06.06.2007, necessary adjustment should have been made in accounts. This has also resulted in understatement of "Profit before Tax" by Rs.3.06 crore.</p>	<p>As pointed out in the audit observation, the claim was made by M/s NTPC (Simhadri during the month of June 2007 towards credit on "Foreign Exchange Rate Variance" (FERV) in accordance with the "Foreign Exchange Selling Rate certified by State Bank India". Provision for the period for the above claim which relates for the year 2006-07 is not accounted for in the books of accounts 2006-07 as M/s NTPC (Simhadri) made the claim on 06.06.2007 which is much later than the cut off date for the finalization of accounts for the year 2006-07.</p> <p>However, the same is already taken in the accounts during the financial year 2007-08.</p>
3	<p>Other Income (Schedule-5) Miscellaneous Receipts- Rs.6.36 crore</p> <p>The above is understated by Rs.57.15 lakh due to non-accountal of credit on account of Short Term Open Access for March 2007 (Rs.20.12 lakh) and Unscheduled Inter-change Credits for the year 2006-07 (19.02.2007 to 31.03.2007) (Rs. 37.03 lakh) passed on by PGCIL in May 2007. This has resulted in understatement of "Profit before Tax" by Rs.57.15 lakh</p>	<p>As pointed out in the audit observation, the claim was made by M/s PGCIL during the month of May, 2007 and July, 2007 towards credit on "Accrued Interest" and credit on account of SR-ER-IRE-UI for the period 19.3.07 to 1.04.07 in accordance with the "Inter regional Energy Account (REA)". Provision for the period for the above claim which relates to the period from 19.3.07 to 1.4.07 is not accounted for in the books of accounts for 2006-07 as M/S PGCIL made a claim on 25.5.2007 and 2.7.2007 which is much later than the cut off date for closure of accounts for the year 2006-07.</p>



Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
		However, the same is already taken in the accounts during the financial year 2007-08.
4	<p>Expenditure Purchase of Power (Schedule-6) Rs.1939.74 crore</p> <p>The above is understated by Rs. 26.73 lakh due to non- accountal of O&amp;M expenditure on regional assets Power Grid Corporation of India Limited on account of revision of O&amp;M expenditure for the years 2001-02 to 2003-04 as per CERC order dated 28.08.2006. The advice has been received by the Company on 02.05.2007. This has resulted in overstatement of "Profit before Tax" by Rs. 26.73 lakh</p>	<p>As pointed out in the audit observation, the claim was made by M/s PGCIL during the month of May, 2007 towards O&amp;M expenses for the year 2001-02, 2003-04 in accordance with the "Central Electricity Regulatory Commission" orders on various transmission assets for the block period 2001-2004 and credit on a/c of SR-ER-IRE-UI for the period from 19.2.07 to 18.03.07. The same is not taken into the accounts for the financial year 2006-07 as the said claim is received much later than the cut off date for closure of accounts for the year 2006-07</p> <p>However, the same is already taken into the accounts during the year 2007-08.</p>
5.	<p>Depreciation and Related Debits(Net) (Sch-11) Depreciation -Rs.138.79 crore</p> <p>The above is understated by Rs.37.13 lakh due to non-accountal of depreciation on "Spare units/ Service units as required under clause 2.88 of "Annexure-III-Basic Accounting Principles and Policies" to the ESAAR 1985. A reference is also invited to Note No.1 of Notes to Accounts and Policy No.2.39 of Accounting Principles and Policies. This has resulted in overstatement of "Profit before Tax" by Rs.37.13 lakh</p>	<p>Additions to Spare units and Service units are being done through requisition for drawal of material from stores, which are processed in stores by way of physical issue of material from stores. These spares and service units are a part of fixed assets kept as rolling stock the holding period of which is generally very short term in nature and as such the requirement of providing depreciation on these spares and service units does not arise.</p>
6.	<p>Net Prior Period Credits/Charges (Schedule-18) -Rs.3.06 crore</p> <p>A reference is invited Comment No.8 of the Comptroller and Auditor General of India on the accounts of the Company for the year 2005-06 wherein accountal of Rs.2.96 crore towards Property Tax for which the Company has no liability, under "Prior Period Expenses/Losses-Other Charges" was pointed out. The management in their printed reply indicated to carry out necessary adjustment in the accounts for the year 2006-07. However, the rectification was not done during the year resulting in understatement of "Net Prior Period Credits" and "Surplus" for the year by Rs.2.96 crore.</p>	<p>EPDCL is closely pursuing to identify the amount paid if any towards Property Tax of AP Transco. Necessary adjustment entries to AP Transco will be proposed immediately after completion of the process.</p>



Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
7	<p>Balance Sheet Net Assets Capital Expenditure-in-progress (Sch-21) Capital Work-in-Progress Rs.186.52 crore</p> <p>The above is overstated by Rs.34.86 lakh due to double accountal of APEPDCL share of System Application Product for data management (SAP) implementation License Fee erroneously during the year 2005-06. Non-accountal of rectification adjustment during the year has resulted in understatement of "Prior Period Expenses/ Losses" and overstatement of "Surplus" for the year by Rs. 34.86 lakh</p>	<p>Audit observation is noted. Necessary accounting entries will be made in the books of accounts during 2007-08.</p>
8	<p>Total Current Assets (Sch-26) Receivables against supply of power (Sch-26(b)) Sundry Debtors -Miscellaneous Receipts from Consumers- Rs.4.08 crore</p> <p>A reference is invited to Comment No. 10 of the Comptroller and Auditor General of India on the accounts of the Company for the year 2005-06, wherein non-reversal of the provision for surcharge on Additional Consumption Deposit for the year 2004-05 amounting to Rs.56 lakh was commented upon. Management agreed to carry out necessary rectification during the year 2006-07. Not doing so has resulted in overstatement of "Net Prior Period Credits/ (Charges) - Income relating to previous year", "Sundry Debtors-Miscellaneous Receipts from Consumers" and "Surplus" for the year by Rs.56 lakh</p>	<p>Non-reversal of provision for surcharge on Additional Consumption Deposit for the year 2004-05 relating to Visakhapatnam Circle is rectified and accounting entries were made during 2007-2008</p>
9.	<p>Other Current Liabilities (Schedule-28) Deposits and retentions from suppliers and contractors-Rs.37.16 crore</p> <p>The above includes Rs.25.00 lakh being a specific grant received from Government of Andhra Pradesh (August 2006) towards the cost of flood relief assistance incurred by the Company. Non-adjustment of the grant against the expenditure incurred has resulted in overstatement of "Deposits and retentions from suppliers and contractors", "Extraordinary Items-Extraordinary debits (Loss on account of flood, cyclone, fire etc)" and understatement of "Profit before Tax" by Rs.25.00 lakh</p>	<p>The audit observation is noted. Necessary rectification entries will be made in the accounts for Financial Year 2007-08.</p>
B	Comments on Financial Position	



Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
10.	<p>Balance Sheet Net Assets Total Current Assets (Sch.26) Stocks–(Schedule-26(a)) Materials pending Inspection-Rs.85.61 lakh</p> <p>The above is understated by Rs.64.44 lakh due to non-accountal of the value of materials received in stores before 31 March 2007 and pending inspection in Eluru Circle. This has resulted in understatement of "Other Current Liabilities-Liability for O&amp;M supplies/ works" by Rs.64.44 lakh.</p>	<p>As per the existing procedure, the materials will be taken into stock after the materials are check measured and certified by competent authority. Form 13 (stores receipt) will be issued only if the materials are found satisfactory. Material will be taken into stock only after issue of Form-13. Defective materials will be returned or addressed to supplier for rectification and defective materials will not be taken into stock. Out of the Material pointed out by audit, the material worth Rs. 14.73 lakhs is defective and hence not taken to stock.</p> <p>The balance material though received in stores prior to 31.03.2007 were check-measured during 1<sup>st</sup> week of April and taken into stock of April 2007. Hence the liability to accept the material has not crystalised as on 31.03.2007 and accordingly not taken into stock.</p>
C	Comments on Disclosure	
11	<p>Balance Sheet Net Assets Capital Expenditure-in-progress (Schedule-21) Capital Work-in-Proress: Rs.186.52 crore</p> <p>The above includes Rs.1.30 crores being the value of 33/11KV Sub-station erected at Achutapuram, as part of the infrastructural facilities to be provided by Govt. of Andhra Pradesh to Brandix Lank Ltd., for development of integrated textile park at Visakhapatnam. The amount is required to be reimbursed to the Company by the Government of Andhra Pradesh through AP Transco. This fact should have been disclosed in the "Notes to Accounts"</p>	<p>Keeping in view the nature of the transaction, a separate disclosure in the notes to accounts is not felt necessary.</p> <p>However, audit observation is noted.</p>
12.	<p>Total Current Assets (Sch-26) Receivables against supply of power (Schedule -26(b)) Sundry Debtors for sale of power–Rs.159.62 crore</p> <p>The above includes Rs.2.16 crore being the differential deemed consumption charges for Ferro Alloys Units for the period November 2002 to March 2006 as accounted for by the Company and as ordered by the Forum for Redressal of Consumer Grievances (CGRF) in their order dated 04.12.2006. The amount is not receivable by the Company as per the orders of CGRF and the Company considered to refer the issue to APERC for clarification. As an element of uncertainty regarding collectibility is attached to the debt, the fact should have been disclosed in the "Notes to Accounts"</p>	<p>Audit observation is noted</p>

Sl. No.	Comments of Comptroller and Auditor General of India	Reply of the company
13.	<p>Notes to Accounts (Statement – 5) General</p> <p>The Company is not claiming, collecting and remitting Electricity Duty (ED) on the power sold to Ferro Alloy units as per the provisions of Andhra Pradesh State Electricity Duty Act, 1939. The Electricity Duty not collected and remitted in respect of Ferro Alloys units for the period 2003-04 to 2006-07 amounted to Rs.12.32 crore. This fact has not been disclosed.</p>	<p>Clarification from Government of Andhra Pradesh is awaited regarding applicability of Electricity Duty on sale of power to Ferro alloy units. The net impact on collection and remittance of Electricity Duty on Ferro Alloy units consumption on net revenue account of the company is NIL.</p> <p>However the audit observation is noted.</p>
D	Comments on Auditors' Report	Reply of the Auditors
14. (i)	<p>Annexure to the Auditors Report Item No.3(a)</p> <p>A reference is invited to Item No.3(a) which reads as follows: "According to the information and explanations given to us and the records produced to us for our verification, the company has granted loans to two companies covered in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs.110 crore</p> <p>The above observation is factually not correct as the amount of Rs.110 crore represented the Loans/ Inter Corporate Deposits made with APSPDCL (Rs. 30 crore); APNPDCL (Rs.30 crore) and to an Apex Committee constituted by Government of Andhra Pradesh named Andhra Pradesh Power Coordination Committee, which is not a Corporate body.</p>	<p>EPDCL has granted loans to (1) NPDCL (2) SPDCL and also to A.P Power Coordination committee (APPCC), which is an Apex body of the above said companies along with other distribution companies. In this context , APPCC was treated as part of the above distribution companies and accordingly the loan sanctioned to APPCC for Rs.50 crores is clubbed with the loan sanctioned to the above named two companies and shown as aggregated Rs.110 crores</p>
14 (ii)	<p>Annexure to the Auditors Report Item No. 3(c)</p> <p>A reference is invited to Item No.3(c) which reads as follows: "According to the information and explanations given, one of the two companies to whom loans were granted, has paid interest as stipulated. There was no payment of principal amount during the year".</p> <p>The above statement is not correct as the Loan/Inter Corporate Deposit given was to two Companies (APNPDCL and APSPDCL) and Andhra Pradesh Power Coordination Committee. Out of the opening balance of loan (Rs.30 crore) outstanding as on 01.04.2006, APNPDCL repaid an amount of Rs. 15 crore on 05.04.2006 indicating payment of principal amount during the year, rendering the Auditors observation incorrect.</p>	<p>Though, NPDCL has repaid an amount of Rs.15 Crores during 2006-07, a similar amount was drawn again in that year. As such there was no reduction in the loan amount in comparison with opening balance.</p>



# APEPDCL

## SAGAR & ASSOCIATES CHARTERED ACCOUNTANTS

H.O. : H. No. 6-3-244/5, Sarada Devi Street  
Prem Nagar, Hyderabad - 500 004  
Phone : +91-40-23395588  
Fax : +91-40-233-3371  
e-mail : vvsagar@sancharnet.in  
Service Tax Regn No. : AAJFS7295N ST001

### AUDITOR'S REPORT

To  
The Members of  
Eastern Power Distribution Company of Andhra Pradesh Limited,  
VISAKHAPATNAM

We have audited the attached Balance Sheet of M/s. EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED as at 31<sup>st</sup> March 2007 the Revenue account for the year ended on that date annexed there to and also the cash flow statement for the year ended on that date, which we have signed under the reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These 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.

- I. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 we enclose in the Annexure, a statement on the matters specified in the paragraph 4 & 5 of the said order.
- II. Further to our comments in the Annexure referred to in the paragraph 1 above, attention is invited to the following items of Significant Accounting Policies and Notes to Accounts in Statement No. 4 and 5 respectively of the Company.
  - (i) Note 1 – The Annual Accounts have been prepared in the forms prescribed under the Electricity Supply (Annual Accounts) Rules, 1985 (ESAAR, 1985), as notified by the Central Government in the Electricity Act, 1948.  
The Accounting Principles and Policies enunciated in the Electricity Supply (Annual Accounts) Rules, 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) Note - 8 regarding depreciation on Fixed Assets is charged under Straight Line Method at the rates prescribed by the Central Government vide Notification No. S.O.265(E) dated 27<sup>th</sup> March 1994, issued under the Electricity (Supply) Act, 1948, instead of at the rates prescribed in the Schedule XIV of the Companies Act, 1956 and which is not in consonance with Accounting Standard -6 " Depreciation Accounting". The amount of shortfall in such provision is not ascertainable.
  - (iii) Note 16 – Capitalisation of employee cost of Rs.20.91 crores done on an ad-hoc basis is not in accordance with the Accounting Standard-10 " Accounting for Fixed Assets".
  - (iv) The spare/service units valued at weighted average cost and included in fixed Assets schedule lead to non compliance of the Accounting Policy No.2.2 with respect to historical cost convention. Further, the opening credit balance of Rs 30,06,223 as on 1.04.05 in Spare/Service units was not reconciled.
  - (v) Note 18 - Non-provision of Deferred tax liabilities in the accounts which is not in accordance with

Accounting Standard – 22 “Accounting for taxes on income”.

(vi) Accounting Standard – 28, Loss on account of Impaired Assets not identified.

(vii) In the absence of completed details on Contingent Liabilities and Contingent Assets, we are unable to comment on Compliance of Accounting Standard-29

The impact of the above on the financial statements is not determinable.

### III. Our comments on the accounts are as under:

1. The assets and liabilities are arrived from the balances as on 01-04-2000 as per the 2<sup>nd</sup> Transfer Scheme stated in the G.O Ms.No.109, Energy (Power-III) dated 29<sup>th</sup> September, 2001 and the subsequent transactions. The details of all assets and liabilities are given as block figures under major group heads in the said notification. The item-wise details of every account under each group are in the process of ascertainment. Assets and liabilities accounted as per third transfer scheme is subject to reconciliations with AP.Transco.
2. Non Reconciliation of sundry debtors for sale of power with consumer ledger.
3. The outstanding balances against Sundry Debtors, Advances and Sundry Creditors are subject to confirmation.
4. Non reconciliation of inventory balance between “Stores price ledger” and financial ledger.
5. Non reconciliation of consumer Deposits as per Consumer ledger with consumption deposits as per Books of accounts.
6. Non-reconciliation of Inter unit Accounts resulting in an Un reconciled debit balance of Rs. 0.24 Crores.
7. Non-reconciliation funds in transit resulting in un reconciled debit balance of Rs.10.94 Crores.
8. Sundry debtors for sale of power includes dues, which were outstanding over 3 years. In the absence of adequate proof about the recovery these outstanding we are unable to express our opinion about their recoverability and whether the existing provision is adequate.
9. As per information and explanation given to us there was a fraud on account of misappropriation of funds by RSDP Operator in Palakollu ERO of Eluru Circle for an amount of Rs.28.01 lakhs. An amount of Rs.13.65 lakhs has been recovered and the provision has not been made for balance amount of Rs.14.36 lakhs..
10. Balances with Banks: Reconciliation has not been done and balance confirmations not obtained.
11. In Schedule No. 31 on Payments due on Capital Liabilities, loans from Government of Andhra Pradesh amounting to Rs. 53.07 crores is subject to confirmation.
12. During the year, provision for terminal benefits for pension was decreased from 22.84% to 17.81%. was provided as recommended by actuary.
13. During the year, Company has changed the accounting policy for accounting of Contributions, Grants and Subsidy towards cost of capital assets and accounting for incidental expenses for purchase of material. The impact of change in accounting policy is disclosed in Notes to accounts, point no:2.

The total impact of the above on the financial statements is not determinable.

### IV. Subject to above, we report that :

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit subject to non availability of detailed individual opening balances



of assets and liabilities as referred to in Paragraph III (1) above.

- b. 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.
- c. The Balance sheet and Revenue account dealt with by this report are in agreement with the books of accounts.
- d. The Balance Sheet and the Revenue Account comply with the Accounting Standards referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956 except to the extent of deviations expressed in Paragraph II above.
- e. Since the Company is a Government Company, the provisions of Section 274 (1) (g) of the Companies Act, 1956 is not applicable to the Company.
- f. 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 forming part of accounts (Statement 4 & 5), further read with our observations in Annexure referred to in Paragraph I and subject to our comments given in Paragraph II and III, give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - (i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as of 31<sup>st</sup> March 2007, and
  - (ii) in so far as it relates to the Revenue account of the Surplus of the Company for the year ended 31<sup>st</sup> March, 2007.
  - (iii) in so far as it relates to the Cash flow statement, of the cash flow of the Company for the year ended 31<sup>st</sup> March, 2007.

Place : Hyderabad.

Date : 06.08.2007

For SAGAR & ASSOCIATES  
CHARTERED ACCOUNTANTS

(B.Srinivasa Rao)  
PARTNER

## ANNEXURE TO THE AUDITOR'S REPORT REFERRED TO IN PARAGRAPH - I OF OUR REPORT OF EVEN DATE

- 1)
  - a) The Company has not maintained proper records showing full particulars including quantitative details and situation of such assets.
  - b) We are informed that no physical verification of the assets was done by the Management during the year. As per the explanations given by the Management, the Company is in the process of evolving a periodical programme for verification of fixed assets. We are unable to comment on the discrepancies if any, as compared to the books of account.
  - c) The Company has not disposed of any substantial part of its fixed assets so as to affect its status as a going concern.
- 2)
  - a) According to the information and explanation given to us, the stock of inventory has been physically verified by the management on an yearly basis.
  - b) The procedure for physical verification of inventory followed by the management is reasonable. However, it is inadequate in relation to the size of the Company and the nature of its business.
  - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification, between physical stock and book records were not material and they were properly dealt with in the books of account.
- 3)
  - a) According to the information and explanations given to us and the records produced to us for our verification, the company has granted loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956 aggregating to Rs.110 Crores.
  - b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan are not prima facie prejudicial to the interest of the Company.
  - c) According to the information and explanations given, one of the two companies to whom loans were granted, has paid interest as stipulated. There was no payment of principal amount during the year.
  - d) In respect of the aforesaid loans, there are no overdue amounts.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the Company and nature of the business for the purchase of inventory and fixed assets and for sale of power. There is no major weakness in the internal control procedure of the Company.
- 5)
  - a) In case of transactions that need to be entered in to a register in pursuance of section 301 of the Act have been so entered.
  - b) In our opinion, each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) According to the information and explanations given to us, the Company has not accepted deposits from the public with in the meaning of the provisions of the section 58A of the companies Act, 1956 and rules framed there under.
- 7) The Company has an Internal Audit system, which in our opinion, the scope and coverage require further



strengthening commensurate with the size and nature of its business of the company.

- 8) According to the information and explanations 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.
- 9)
  - a) 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.
  - b) According to the information and explanation given to us and records of the company examined by us, the particulars of dues of Sales tax, excise duty, entry tax and Cess as at 31<sup>st</sup> March 2007 are as follows.

Name of the statute	Nature	Rs./ crores	Period	Forum where the dispute is pending
A.P. Tax on entry of goods into local areas act 2001	Entry Tax/Stay of collection	6.58	June 2002 to March 2007	Appeal pending with A.P Sales Tax Appellate Tribunal, Hyderabad and AP High Court
Central Excise	Excise duty on PSCC poles	0.20	Nov'1993 to Jul'2003	Customs Excise and Service Tax Appellate Tribunal, South Regional Bench, Bangalore
Employees Provident Fund	Paid under protest in Vizianagaram Circle.	0.13	April 2000 to Nov'2004	EPF Tribunal at Delhi
Central Excise.	Excise duty on PSCC poles	0.01	1.4.2002 to 12.2.2003	High Court of Andhra Pradesh
EPF & MP Act.	PF in respect of contract labour engaged for manning of Sub stations	0.17	June 2000 to July 2005	EPF Tribunal at Delhi

- 10) The Company has no accumulated losses as at 31 March 2007 and it has not incurred cash losses in the financial year ended on the date or in the immediately preceding financial year.
- 11) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
- 12) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund or a Nidhi / Mutual benefit fund / Society. Hence, the provisions of Clause (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 14) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.





- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank 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 were obtained.
- 17) According to the information and explanations given to us, the funds raised on short term basis have not been used for long term investment and vice-versa.
- 18) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- 19) According to the information and explanations given to us, the Company has not issued debentures during the year.
- 20) The company has not raised any money through public issue during the year.
- 21) According to the information and explanations given to us, a fraud on the Company has been noticed as mentioned in paragraph III (9) of our report.

Place : Hyderabad.

Date : 06.08.2007

For SAGAR & ASSOCIATES  
CHARTERED ACCOUNTANTS

(B.Srinivasa Rao)  
PARTNER



## EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED CORPORATE OFFICE :: VISAKHAPATNAM

Replies Of The Company To The Comments Of The Statutory Auditors Contained  
In Their Report For The Year 2006-2007:

Sl. No.	Statutory Auditors Comments	Reply of the company
1	<p>Note 1 – The Annual Accounts have been prepared in the forms prescribed under the Electricity Supply (Annual Accounts) Rules, 1985 (ESAAR 1985), as notified by the Central Government in the Electricity Act, 1948.</p> <p>The Accounting Principles and Policies enunciated in the Electricity Supply (Annual Accounts) Rules, 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.</p>	<p>Significant Accounting Policies adopted in the preparation and presentation of financial statements are mentioned in the notes to accounts. However, continuous efforts are made to improve upon the requirement of Accounting Standards issue by the Institute of Chartered Accountants of India.</p>
2	<p>Note – 8 regarding depreciation on Fixed Assets is charged under Straight Line Method at the rates prescribed by the Central Government vide Notification No. S.O. 265 (E) dated 27<sup>th</sup> March 1994, issued under the Electricity (Supply) Act, 1948, instead of at the rates prescribed in the Schedule XIV of the Companies Act, 1956 and which is not in consonance with Accounting Standard –6 “Depreciation Accounting”. The amount of shortfall in such provision is not ascertainable.</p>	<p>The company is consistently following ESAAR and Depreciation rates as notified by the Ministry of Power Govt. of India. However, continuous efforts are made to improve upon the requirement of Accounting Standards issued by the Institute of Chartered Accountants of India.</p>
3	<p>Note 16 – Capitalisation of employee cost of Rs. 20.91 Crores done on an adhoc basis is not in accordance with the Accounting Standard – 10 “Accounting for Fixed Assets”.</p>	<p>The rate of 18% towards capitalization of employee cost has been decided in the Board of Directors meeting held on 8.8.2005, after studying the practical issues etc., viz, appropriate no. of officers and staff with infrastructure expenses engaged in the capital works.</p>
4	<p>The spare/service units valued at weighted average cost and included in fixed assets schedule lead to non compliance of the Accounting Policy No. 2.2 with respect to historical cost convention. Further, the opening credit balance of Rs.30,06,223 in spare/service units was not reconciled.</p>	<p>The accounting treatment of inclusion of Spare/ service units in Fixed Assets schedule is consistently being done by the Company in view of the fact that assets held as spare/service units are part of Fixed Assets.</p> <p>The reconciliation of spare/service units is a continuous process and at a particular stage the balance in this account may result in a credit balance.</p> <p>The net result in spare/service units account as on 31.3.2007 is Rs. 6.60 crores debit balance.</p>

Sl. No.	Statutory Auditors Comments	Reply of the company
5	Note 25 – Non-provision of Deferred tax liabilities in the accounts, which is not in accordance with Accounting Standard –22 “Accounting for taxes on income”.	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.
6	Accounting Standard –28, Loss on account of Impaired Assets not identified.	The opening balances of Fixed assets as on 1.4.2000 are as per the 2 <sup>nd</sup> Transfer Scheme vide in the G.O.Ms.No.109,Energy (Power-III) dated 29 <sup>th</sup> September,2001. Ascertainment of impairment (if any) will be done based on the recommendations of technical evaluation through a committee that is proposed to be constituted.
7	In the absence of complete details on Contingent Liabilities and Contingent Assets, we are unable to comment on Compliance of Accounting Standard-29.	The instances in which the Company is contingently liable are obtained from all the units and disclosed vide item no.24 of Notes to Accounts.
8	The assets and liabilities are arrived from the balances as on 01.04.2000 as per the 2 <sup>nd</sup> Transfer Scheme stated in the G.O. Ms. No. 109. Energy (Power-III) dated 29 <sup>th</sup> September, 2001 and the subsequent transactions. The details of all assets and liabilities are given as block figures under major group heads in the said notification. The item-wise details of every account under each group are in the process of ascertainment. Assets and liabilities accounted as per third transfer scheme is subject to reconciliations with AP.Transco.	<p>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 2<sup>nd</sup> Transfer Scheme are in the process of analysis. The same is disclosed in note no.6 of Notes to Accounts.</p> <p>The journal entries communicated by APTRANSCO during the finalization of 3<sup>rd</sup> Transfer Scheme balances are adopted during F.Y 2006-07</p>
9	Non Reconciliation of Sundry Debtors for sale of power with consumer ledger.	The reconciliation between Consumer Ledger and Financial Ledger is being done regularly from the Financial Year 2005-06.
10	The outstanding balances against Sundry Debtors, Advances and Sundry Creditors are subject to confirmation	There is no existing procedure of ascertaining confirmation of Sundry Debtors outstanding. Advances to Sundry Creditors a/c is in the process of reconciliation and confirmation.
11	Non-reconciliation of inventory balances between ‘Stores price Ledger’ and ‘financial ledger’.	Quantity reconciliation is done with reference to priced ledger and numerical ledger. Competent authorities in circles do the physical verification of inventory frequently and verify the ledgers. Internal Auditors are also making physical verification on yearly basis with reference to ledgers.
12	Non- reconciliation of consumer Deposits as per Consumer ledger with consumption deposits as per Books of accounts.	The reconciliation between consumer ledger and financial ledger is in process. The reconciliation of entire Company balances will be completed in due course.



Sl. No.	Statutory Auditors Comments	Reply of the company
13	Non reconciliation of Inter unit Accounts resulting in an un reconciled Debit balance of Rs. 0.24 Crores	The Inter Unit reconciliation is in process. The Debit balance in the Inter Unit account will be reconciled during the year 2007-08
14	Non reconciliation funds in transit resulting in un reconciled Debit balance of Rs. 10.94 Crores.	The reconciliation of funds in transit is in process.
15	Sundry Debtors for sale of power includes dues, which were outstanding over 3 years. In the absence of adequate proof about the recovery these outstanding we are unable to express our opinion about their recoverability and whether the existing provision is adequate.	The Company appointed Chartered Accountants for ascertaining the quality of Sundry Debtors. However adequate provision exists to take care of such requirements of Bad debts, if any.
16	As per information and explanation given to us there was a fraud on account of misappropriation of funds by RSDP Operator in Palakollu ERO of Eluru Circle for an amount of Rs. 28.01 lakhs. An amount of Rs. 13.65 lakhs has been recovered and the provision has not been made for balance amount of Rs. 14.63 lakhs.	The balance misappropriated amount of Rs. 14.63 lakhs is recovered from service charges bills payable to Commissioner EDS for RSDP collections during April-07 to August -07.
17	Balances with Banks: Reconciliation has not been done and balance confirmation not obtained	Reconciliation is being done as a regular feature and balance confirmation letters to end of 31.3.07 were obtained.
18	In Schedule No.31 on payments due on Capital liabilities, loans from Government of Andhra Pradesh amounting to Rs.53.07 crores are subject to confirmation.	The balance in loan from Government of Andhra Pradesh a/c as on 31.3.2004 is confirmed vide G.O.Ms.No.58, Energy (power-III) dt.7.6.2005. Transactions subsequent to that date are in the process of reconciliation and balance confirmation is being obtained.
19	During the year, provision for terminal benefits for pension was decreased from 22.84% to 17.81% was provided as recommended by actuary.	Provision for terminal benefits is made, based on the recommendations of Draft Actuarial Valuation Report given by The Actuary - M/s India Hewitt.
20	During the year, Company has changed the accounting policy for accounting of Contributions, Grants and Subsidy towards cost of capital assets and accounting for incidental expenses for purchase of material. The impact of change in accounting policy is disclosed in Notes to accounts, point no. 2.	The change in Accounting Policy is disclosed vide item no. 2 of Notes to Accounts.



# *Financial Statements*





## REVENUE ACCOUNT FOR THE YEAR ENDING 31st MARCH, 2007

STATEMENT-I  
(Rupees in Lakhs)

SCH. No.	Particulars	Current Year 2006-2007	Previous Year 2005-2006
1	INCOME		
	Revenue from Sale of Power (Gross)	2,09,889.05	1,86,760.01
	Inter State sales & Discom to Discom Sales	16,584.04	23,270.03
	Less: State Electricity duty	2,833.87	2,541.74
	Revenue from Sale of Power (Net)	2,23,639.23	2,07,488.29
4	Revenue Subsidies and grants	827.20	3,129.00
5	Other Income	7,801.22	3,185.44
	<b>TOTAL INCOME</b>	<b>2,32,267.64</b>	<b>2,13,802.74</b>
6	EXPENDITURE		
	Purchase of Power	1,93,973.96	1,72,773.21
8	Repairs & Maintenance	1,118.95	1,254.54
9	Employee costs	18,655.66	13,726.51
10	Administration & General Expenses	3,732.59	3,325.32
11	Depreciation and Related Expenses (Net)	13,904.35	12,172.14
12	Interest & Finance Charges	10,827.60	10,562.66
	<b>SUB TOTAL (1):</b>	<b>2,42,213.00</b>	<b>2,13,814.37</b>
13	LESS: EXPENSES CAPITALISED		
	Interest and Finance charges capitalised	478.00	1,898.02
14	Other expenses capitalised	2,090.98	1,751.05
	<b>SUB TOTAL (2)</b>	<b>2,568.98</b>	<b>3,649.08</b>
15	Other Debits	172.64	332.90
16	Extra-Ordinary Items	(8,856.11)	150.80
	<b>SUB TOTAL (3)</b>	<b>(8,683.47)</b>	<b>483.70</b>
	<b>TOTAL EXPENDITURE (1 to 3)</b>	<b>2,30,960.66</b>	<b>2,10,649.00</b>
17	PROFIT / (LOSS) BEFORE TAX	1,306.98	3,153.74
	Provision for Taxes		
	Income Tax	182.00	182.00
	Fringe Benefit Tax	53.00	81.54
		235.00	
18	PROFIT/ (LOSS) AFTER TAX	1,071.98	2,890.20
	Net Prior Period Credits / (Charges)	306.41	(1,000.43)
	<b>SURPLUS / (DEFICIT)</b>	<b>1,378.39</b>	<b>1,889.77</b>

As per our report attached

for M/s Sagar & Associates  
Chartered accountants

Partner

Membership No. : 202352

C. Sudhakar Reddy  
Director (Projects)

P. Vithal Kumar  
Company Secretary

For and on behalf of the Board

Lav Agarwal, I.A.S.  
Chairman & Managing Director



# APEPDCL

## NET REVENUE AND APPROPRIATION ACCOUNT

STATEMENT- 2  
(Rupees in Lakhs)

	Particulars	2006-2007	2005-2006
	Balance brought forward from last year	1785.83	190.92
	Surplus/( Deficit) from Revenue Account	1378.39	1889.77
	CREDITS :	-	
	Total	3164.22	2080.69
	APPROPRIATIONS :		
	Contingency Reserve	-	294.86
	Appropriation to Special Safty reserve	500.00	
	Balance carried forward	2664.22	1785.83



## BALANCE SHEET AS ON 31.3.2007

STATEMENT- III  
(Rupees In Lakhs)

SCH.	Particulars	As at 31-03-2007	As at 31-03-2006
	NET ASSETS		
19	Net Fixed Assets		
	Gross Block	180,744.71	160,087.06
	Less: Accumulated Depreciation	78,980.71	65,466.58
	Net Fixed Assets	101,763.99	94,620.49
21	Capital Expenditure in progress	18,651.76	16,312.54
22	Assets not in use	179.10	159.38
24	Intangible Assets	7.83	9.79
25	Investments	941.20	641.20
	Net Current Assets		
26	Total Current Assets	100,230.58	117,426.63
	Less: Total Current Liabilities		
27	Security Deposits from Consumers	43,001.75	39,885.55
28	Other Current Liabilities	46,621.05	40,373.23
	Total Current Liabilities	89,622.81	80,258.78
	Net Current Assets	10,607.78	37,167.85
	Deficit / (Surplus) from Revenue	(2,664.22)	(1,785.83)
	NET ASSETS	129,487.44	147,125.41
	FINANCED BY:		
30	Borrowings for working capital	-	-
31	Payments due on capital liabilities	5,306.75	5,313.79
32	Capital & other liabilities	65,465.93	83,252.95
33	Funds from state Government	12,122.53	12,122.53
34	Contributions, Grants on Subsidies towards cost of capital Assets.	38,492.71	42,143.30
35	Reserves & Reserve funds.	8,099.52	4,292.84
	TOTAL FUNDS	129,487.44	147,125.41

As per our report attached

for M/s Sagar & Associates  
Chartered accountants

Partner

Membership No. : 202352

C. Sudhakar Reddy  
Director (Projects)

P. Vithal Kumar  
Company Secretary

For and on behalf of the Board

Lav Agarwal, I.A.S.  
Chairman & Managing Director



# APEPDCL

## CASH FLOW STATEMENT AS ON 31st MARCH, 2007

(Rupees in Lakhs)

Sl. No.	Particulars	2006-2007	2005-2006
A	Cash Flow From Operation Activities :		
	Net Profit Before Tax	1613.39	2153.31
	Adjustments For:		
	Depreciation	13514.13	11372.30
	Unrealised Foreign Exchange Difference	0.00	
	Interest (Net)	9717.00	9656.49
	Provision for diminution in value of investments	0.00	5.43
	Adjustments for Employees terminal benefits like GPF & P&G	3245.44	4640.59
	Operating Profit before Working Capital Changes	28089.96	27828.11
	Adjustments for :		
	(Increase)/Decrease in Trade and Other Receivables	22176.31	-45482.15
	(Increase)/Decrease in Inventories	-3057.50	-804.71
	(Increase)/Decrease in Miscellaneous Expenditure not Written Off	1.96	1.96
	Interest to Consumers on Security Deposits	-2203.20	-1936.40
	Increase/(Decrease) in Trade Payables	9248.43	15646.77
	Cash Generated from Operations	54255.96	-4746.42
	Provision for Income Tax	235.00	263.54
	Amortisation of consumer contribution, Subsidies and Grants towards cost of capital assets	13146.89	
	Net Cash From Operating Activities	40874.06	-5009.96
B	Cash Flow From Investing Activities		
	Purchase of Fixed Assets (Including Interest Capitalised)	-23016.58	-25617.82
	Purchases of Investments - including Contingency Reserve in Govt. Bonds	-300.00	-284.72
	Interest Received	1110.59	906.17
	Increase/(Decrease) in Liability for Capital Works	115.60	-371.26
	Accumulated Interest on Investments through Contingency Reserve	61.25	32.10
	Net Cash (used in)/from Investing Activities	-22029.14	-25335.53
C	Cash Flow From Financing Activities :		
	Proceeds from issue of Share Capital	0.00	0.00
	Proceeds from Long Term Borrowings	17088.10	43471.82
	Proceeds from Govt. as Subsidy & Grants	0.00	0.00
	Proceeds of Consumer Contribution for capital Assets	9496.31	10627.18
	Repayment of Long Term Borrowings	-34882.16	-14685.11
	Interest Paid	-8624.40	-8626.26
	Net Cash (used in)/ From Finance activities	-16922.15	30787.64
	Net(decrease)/increase in cash and cash equivalent(A+B+C)	1922.77	442.15
	Cash and Cash Equivalents at Beginning of the year	6811.60	6369.45
	Cash and Cash Equivalents at end of the year	8734.36	6811.59

As per our report attached

for M/s Sagar & Associates  
Chartered accountants

Partner

Membership No. : 202352

C. Sudhakar Reddy  
Director(Projects)

P. Vithal Kumar  
Company Secretary

For and on behalf of the Board

Lav Agarwal, I.A.S  
Chairman & Managing Director

## REVENUE FROM SALE OF POWER

SCHEDULE - 1  
(Amount In Rupees)

Sl. No.	Particulars	Account Code	Current Year (2006 - 07)	Previous Year (2005 - 06)
	<b>L.T.SUPPLY:</b>			
1	Domestic supply - Category-I	61.200	4,360,990,929	3,825,786,026
2	Non-Domestic Supply - Category-II	61.210	2,264,796,914	2,024,843,716
3	Industrial supply-Category-III	61.220	1,549,122,935	1,430,834,354
4	Cottage Industries - Category-IV	61.230	3,172,124	3,394,809
5	Irrigation and Agriculture Category-V	61.240 & 61.250	51,001,069	51,723,504
6	Public Lighting - Category-VI	61.260	329,995,925	321,708,809
7	General Purpose - Category-VII	61.270	101,806,402	94,565,569
8	Temporary - Category-VIII	61.280	3,468,193	3,796,237
	<b>L.T.TOTAL :</b>		<b>8,664,354,491</b>	<b>7,756,653,024</b>
	<b>H.T.SUPPLY</b>			
1	Industrial segregated - Category-I	61.300	7,938,141,346	6,925,926,743
2	Industrial non-segregated-Category-II	61.310	1,023,545,976	1,011,823,136
3	Irrigation and Agriculture - Category-IV	61.330	37,863,824	28,303,879
4	Railway Traction-Category-V	61.340	1,844,476,234	1,721,283,015
5	Electricity Co-op. Societies	61.380	88,683,042	88,686,790
6	Power incentive Consumers	61.320	-	-
7	Extra State supplies to Government of Pondichery.			
8	Inter State Supplies	61.100		
9	Temporary supply	61.390	100,291,419	87,688,843
10	Grid support charges	61.400	1,175,135	1,182,547
11	Colony Consumption	61.350	79,609,917	81,645,523
	<b>H.T.TOTAL :</b>		<b>11,113,786,893</b>	<b>9,946,540,476</b>
	<b>L.T. + H.T.TOTAL</b>		<b>19,778,141,384</b>	<b>17,703,193,500</b>
12	Less : Adjustment to Past Billing ( as per contra)			60,160,373
	Less : 25% Rebate to New industries	78.830	-	-
	<b>Net L.T.+H.T.Total:</b>		<b>19,778,141,384</b>	<b>17,643,033,127</b>
	<b>MISCELLANEOUS REVENUE</b>			
1	Electricity Duty recovery	61.501 to 519	283,386,810	254,174,331
2	Other state levies recovery	61.521 to 539	2,652,429	2,111,374
3	Recoveries for theft of power / Malpractices	61.700	53,661,464	7,226,200
	<b>Sub Total:</b>			
4	Wheeling charges recoveries	61.800	17,143	56,789
5	Miscellaneous charges from consumers	61.900	871,045,744	769,398,916
	<b>Total Misc. Revenue</b>		<b>1,210,763,590</b>	<b>1,032,967,610</b>
	<b>Gross Revenue from sale of power</b>		<b>20,988,904,974</b>	<b>18,676,000,737</b>
6	Interstate sales & DD sales	61.000	1,658,404,428	2,327,002,793
	Less: Electricity Duty & other state state levies payable	61.521 & 541	283,386,810	254,174,331
6	Other state levies payable(which is included in (61.541)	61.521	-	-
	<b>Net Total :</b>		<b>22,363,922,592</b>	<b>20,748,829,199</b>



## ELEMENTWISE ANALYSIS OF REVENUE

SCHEDULE - 2  
(In Rupees)

	Particulars	Current Year 2006-07	Previous Year 2005-06
	<b>REVENUE</b>		
	Demand charges	1,626,576,000	1,206,885,254
	Energy charges	18,076,161,925	16,750,979,461
	Fuel cost adjustment charges	52,612,284	(331,626,875)
	Power Factor Surcharge	20,755,638	15,612,740
	Adjustments to past billing	860,402	60,160,373
	Less: 25% Rebate to New industries	-	-
	<b>Sub-total (a)</b>	<b>19,776,966,249</b>	<b>17,702,010,953</b>
	Electricity Duty & Other State Levies		
	Electricity Duty recovery	283,386,810	254,174,331
	Other State Levies Recovery	2,652,429	2,111,374
	<b>Sub-total (b)</b>	<b>286,039,239</b>	<b>256,285,705</b>
	Recoveries for Theft of Power/Malpractices	53,661,464	7,226,200
	Wheeling charges recoveries	17,143	56,789
	Miscellaneous recoveries	872,220,879	770,581,463
	<b>Sub-total (c)</b>	<b>925,899,486</b>	<b>777,864,452</b>
	Gross Revenue from Sale of Power (a+b+c)	20,988,904,974	18,736,161,110
	Less: Adjustments to Past Billing (as per contra)		60,160,373
	<b>Net Revenue</b>	<b>20,988,904,974</b>	<b>18,676,000,737</b>
	Less: Electricity Duty & other state levies payable	283,386,810	254,174,331
	<b>Net Revenue from sale of power</b>	<b>20,705,518,164</b>	<b>18,421,826,406</b>
	ADD : Inter state & DD Sales	1658404428	2327002793
	<b>Total Revenue from Sale of Power</b>	<b>22,363,922,592</b>	<b>20,748,829,199</b>

## AVERAGE REALISATION FROM SALE OF POWER

SCHEDULE - 3

Sl. No.	Particulars	Number of Consumers	Total Units (MU)	Average realisation in paise per unit
	L.T.SUPPLY:			
1	Domestic supply - Category-I	3,065,588	2007.306	214.43
2	Non-Domestic Supply - Category-II	271,454	400.124	565.51
3	Industrial supply-Category-III	22,986	382.516	407.72
4	Cottage Industries - Category-IV	1,325	1.513	212.16
5	Irrigation and Agriculture Category-V	136,959	1246.857	4.10
6	Public Lighting - Category-VI	30,827	182.596	182.20
7	General Purpose - Category-VII	23,900	25.181	404.13
8	Temporary - Category-VIII	48	0.630	483.61
	L.T.TOTAL	3,553,087	4,246.723	202.95
	H.T.SUPPLY			
1	Industrial segregated - Category-I	715	2211.887	358.10
2	Industrial non-segregated-Category-II	420	185.624	550.93
3	Irrigation and Agriculture - Category-IV	45	15.160	250.02
4	Railway Traction-Category-V	15	439.784	420.88
5	Electricity Co-op. Societies	2	135.014	65.76
6	Colony Consumption - VI	28	22.504	353.04
	Temporary Supply	-	11.556	866.69
	H.T.TOTAL:	1,225	3,021.53	370.70
	L.T. + H.T.TOTAL	3,554,312	7,268.252	272.68



## REVENUE SUBSIDIES AND GRANTS

SCHEDULE - 4  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Subsidies and grants from Government	63.110	66,120,000	312,900,000
3	Subsidies- loss on flood,fire,cyclone	63.200	16,600,000	
4	Other Subsidies and grants	63.300	-	
	TOTAL:		82,720,000	312,900,000

## OTHER INCOME

SCHEDULE - 5  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Interest on staff loans and advances	62.210 to 62.219	546,873	544,535
2	Income from investments	62.220 to 62.239	111,000	-
3	Delayed payment charges from consumers	62.250 & 62.251	141,325,020	148,695,856
4	Interest from Banks	62.270	111,059,473	90,617,117
5	Income from Trading (Profit on sale of scrap etc.)	62.300	33,551,952	14,524,519
6	Miscellaneous receipts	62.900	63,575,219	61,759,545
7	Amortisation of consumer contributions, subsidies, grants towards cost of capital assets(Current year)	62.950	414,114,236	
8	UI Charges	62.000	15,837,784	2,402,861
	TOTAL:		780,121,557	318,544,433

## PURCHASE OF POWER

SCHEDULE - 6  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Power Purchase	70.000 & 70.100	19,647,592,431	17,471,301,850
	Less: Rebate on PP Bills & Incentive		250,196,071	193,980,843
	Total:		19,397,396,360	17,277,321,007

## REPAIRS AND MAINTENANCE

SCHEDULE - 8  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
	Repairs and Maintenance to			
1	Plant and Machinery	74.100	10,283,321	5,525,080
2	Transformers	74.101	42,189,088	56,738,471
3	Substation maintenance by Pvt.agencies	74.150	16,310,116	18,687,566
4	Buildings	74.200	557,972	832,053
5	Civil Works	74.300	621,283	1,263,306
6	Lines, Cable net work etc.	74.500	38,893,700	38,896,803
7	Vehicles	74.600	2,001,148	2,818,896
8	Furniture and Fixtures	74.700	10,282	175,871
9	Office equipment	74.800	1,027,716	515,533
	TOTAL:		111,894,626	125,453,579

## EMPLOYEE COSTS

SCHEDULE - 9  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Salaries	75.100	1,211,024,006	891,439,295
2	Dearness Allowance	75.300	43,067,590	116,258,234
3	Other Allowances	75.400	156,686,430	116,074,261
4	Bonus/Exgratia	75.500	176,309	3,000
	Sub-Total 1 (1 to 4)		1,410,954,335	1,123,774,790
5	Medical expenses Reimbursement	75.611	11,366,001	9,276,391
6	Leave Travel Assistance	75.612	402,142	301,148
7	Earned Leave Encashment	75.617	218,067,939	11,376,347
8	Payment under workmen's compensation Act	75.629	1,074,798	671,200
	Sub-Total 2 (5 to 8)		230,910,880	21,625,086
9	Medical reimbursment(Quarterly allowance)	75.710	16,824,939	16,370,009
10	Other welfare expenses	75.711 to 75.760	3,094,524	1,436,274
11	GPF Booster scheme	75.761	826,754	902,887
12	Terminal benefits	75.800	202,955,010	208,541,746
	TOTAL:		1,865,566,442	1,372,650,792



## ADMINISTRATION AND GENERAL EXPENSES

SCHEDULE - 10  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Rent, Rates and Taxes	76.101 & 76.102	7,688,744	12,968,817
2	Licence Fee - APERC	76.103	6,050,000	6,000,000
3	Insurance	76.104 to 107	639,539	623,265
4	Telephone charges, Postage, Telegram & charges	76.111 to 113	28,691,099	40,546,814
5	Legal charges	76.121	2,916,183	1,386,041
6	Audit fees	76.122	521,260	370,392
7	Consultancy charges	76.123	1,214,770	1,559,207
8	Technical fees	76.124	-	-
9	Other professional charges	76.125	160,706,000	123,110,346
10	Honarorium	76.126	908,527	785,420
11	Conveyance expenses	76.131	1,080,791	1,205,547
12	Travelling expenses	76.132	56,314,275	42,363,090
13	Vehcile running exp.(Cars,Jeeps,Etc.)	76.136 & 76.230		
		to 299	12,199,392	19,204,157
14	Vehcile hire charges	76.139	32,808,767	26,268,662
15	Training and participation	76.150	3,884,009	3,442,071
16	Fees&Subscription	76.151	231,961	794,396
17	Books&periodicals	76.152	199,265	137,891
18	Printing & Stationary	76.153	13,574,993	9,227,771
19	Advertisement	76.155	9,105,831	7,875,984
20	Contributions	76.157	-	-
21	Electricity charges	76.158	18,921,935	16,514,523
22	Water charges	76.160	459,635	350,555
23	Entertainment	76.162	250,042	12,086
24	Misc.Expenses	76.190	14,565,988	17,537,114
25	Preliminary Expenses written off	76.190	195,700	195,700
26	Payment Electricity workers panchayat	76.191	130,500	52,500
27	Expenses towards prajasadassu	76.192	-	-
	TOTAL		373,259,206	332,532,349

## DEPRECIATION AND RELATED DEBITS(NET)

SCHEDULE - 11  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Depreciation	77.100 & 77.200	1,387,889,702	1,216,366,782
2	Assets Decommissioning cost	77.500	1,701,099	587,323
3	Written down value of assets scrapped	77.710	843,851	259,804
	Total debits (1 & 2)		1,390,434,652	1,217,213,909
4	Less: Gain on sale of Assets(Excluding capital gains transferred to Capital reserve)	62.400	-	-
	TOTAL		1,390,434,652	1,217,213,909



## INTEREST AND FINANCE CHARGES

SCHEDULE - 12  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Interest on State Government loans	78.100	11,213,500	11,870,514
2	Interest on Bonds	78.200	23,455,200	19,025,856
3	Loans from Financial Institutions/Banks	78.500		
	R.E.C	78.504	368,315,537	419,507,261
	P.F.C	78.511	74,649,361	7,599,161
	I.C.I.C.I	78.513	28,413,262	31,684,396
	Bank of Baroda	78.514	25,455,751	28,628,438
4	Interest to Consumers	78.600	220,319,974	193,639,904
5	Load Incentive to HT - Category I Consumers	78.820 to 78.839	312,689,113	332,244,597
6	Other Interest(other sub-accounts)	78.853 to 78.859	12,475,908	5,436,002
7	Cost of raising Finance ( Guarantee commission)	78.860 to 78.868	224,489	31,689
8	Bank charges	78.881 to 78.889	5,547,644	6,597,844
	TOTAL:		1,082,759,739	1,056,265,662

## INTEREST AND FINANCE CHARGES CAPITALISED

SCHEDULE - 13  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Interest and Finance Charges Capitalised	78.900	47,800,342	189,802,446
	Total		47,800,342	189,802,446

## OTHER EXPENSES CAPITALISED

SCHEDULE - 14  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Employee costs capitalised	75.900	209,097,786	175,105,299
	TOTAL		209,097,786	175,105,299

## OTHER DEBITS

SCHEDULE - 15  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Waiver of Surcharge	79.400	-	191,000
2	Miscellaneous losses and write-offs	79.500	17,187,164	13,273,263
3	Sundry Expenses	79.700	76,950	19,825,454
	TOTAL:		17,264,114	33,289,717



## EXTRAORDINARY ITEMS

SCHEDULE - 16  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Extra Ordinary debits (Loss on account of Flood, Cyclone, Fire etc.)	79.800(Dr) / 79.800 (Cr)	14,964,447	15,080,424
2	Amortisation of consumer contributions, subsidies, grants etc pertaining to the period upto 31.3.2006	79.800 (Cr)	(900,575,199)	
	Net Extra ordinary items [(Dr) / Cr]		(885,610,752)	15,080,424

## PROVISION FOR INCOME TAX

SCHEDULE - 17  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Provision for Taxes Income Tax 18200000 Fringe Benefit Tax 8154282	46.800	18,200,000 5,300,000	26,354,282
	TOTAL		23,500,000	26,354,282

## NET PRIOR PERIOD CREDITS / CHARGES

SCHEDULE - 18  
(In Rupees)

Sl. No.	Particulars	Account Code	Current year (2006-07)	Previous year (2005-06)
1	Income relating to previous year Receipts-prior periods Interest income-Prior period Excess provision Depreciation Excess provision interest & Fin. Charges Other income prior periods	65.200 65.400 65.600 65.700 65.900	- 32,964,923 3,136,437 387,499 5,056,336	95,342 - - 7,321,998 60,457,788
	Sub Total:		41,545,195	67,875,128
2	Prior period Expenses / Losses Short provision for power Operating Expenses of previous year Employees cost Depreciation under provided Interest & other Fin. Charges Other charges	83.100 83.300 83.500 83.600 83.700 83.800	3,041,608 40,406 (1,077,216) 10,376,343 (2,685,269) 1,208,461	12,703,226 15,347,194 30,480,903 - 56,393,456 52,992,939
	Sub Total:		10,904,333	167,917,718
3	Net Prior Period Credits /(Charges)		30,640,862	(100,042,590)

## CAPITAL EXPENDITURE IN PROGRESS

SCHEDULE - 21  
(In Rupees)

Sl.No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Capital work-in-progress	14.000	1,865,175,992	1,631,253,584
	TOTAL		1,865,175,992	1,631,253,584

# FIXED ASSETS AND PROVISION FOR DEPRECIATION

SCHEDULE - 19  
(In Rupees)

APPENDIX

ASSET GROUP	Account Code	GROSS BLOCK					PROVISION FOR DEPRECIATION					NET BLOCK	
		At the end of the Previous Year/2005-06	Additions during the year/2006-07	Deductions during the year 2006-07	Reclassification	At the end of the year 31-03-2007	At the end of the Previous Year/2005-06	Depreciation for the year/ 2006-07	Adjustments on Deductions	Reclassification	At the end of the year as on 31-03-2007	At the end of the year 2006-07	At the end of the Previous Year/2005-06
Land and Land rights	10.100	32,092,418	679,500	-		32,771,918	122,085	40,695	-		162,780	32,609,138	31,970,333
Buildings	10.200	141,923,673	54,191,794	-		196,115,467	70,086,473	5,121,809	-		75,208,282	120,907,185	71,837,200
Other civil works	10.400	10,704,770	11,529,558	-		22,234,328	543,362	516,072	-		1,059,434	21,174,894	10,161,408
Plant and Machinery	10.500	5,523,408,614	885,238,456	37,635,716		6,371,011,354	2,149,609,002	462,035,364	23,928,306		2,587,716,060	3,783,295,294	3,373,799,612
Lines and Cable Network	10.600	10,163,114,821	1,133,842,130	63,778,336		11,233,178,615	4,268,037,854	918,675,869	20,753,011		5,165,960,712	6,067,217,903	5,895,076,967
Vehicles	10.700	18,788,892	1,162,830	1,430,260		18,521,462	17,670,192	2,108,825	1,530,447		18,248,570	272,892	1,118,700
Furniture and Fixtures	10.800	92,211,680	85,978,619	43,607,062		134,583,237	40,588,736	11,808,399	2,681,784		49,715,351	84,867,886	51,622,944
Sub-Total		15,982,244,868	2,172,622,887	146,451,374	-	18,008,416,381	6,546,657,704	1,400,307,033	48,893,548	-	7,898,071,189	10,110,345,192	9,435,587,164
Spare units/Service units	11.200	26,461,424	62,894,920	23,302,062		66,054,282						66,054,282	26,461,424
TOTAL		16,008,706,292	2,235,517,807	169,753,436	-	18,074,470,663	6,546,657,704	1,400,307,033	48,893,548	-	7,898,071,189	10,176,399,474	9,462,048,588
Previous Year		13,634,462,372	2,597,198,845	222,954,925	-	16,008,706,292	5,409,427,747	1,216,366,782	79,136,825	-	6,546,657,704	9,462,048,588	8,225,034,625



# 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 (31.03.2006)	Additions during the year (2006-07)	Deductions during the year (2006-07)	Balance at the end of this year (31.03.2007)
			Written down value of					
			Obsolete, Scrapped Assets:					
-	24,736,337	20,946,180	Plant and Machinery	16.500	3,790,157	26,459,804	25,060,228	5,189,733
-	53,023,758	40,967,844	Lines and Cable net work	16.600	12,055,914	16,507,308	15,919,975	12,643,247
69,583	289,362	264,056	Vehicles	16.700	94,889	1,176,996	1,192,302	79,583
-	145,300	147,872	Furniture & Fixtures	16.800	(2,572)	-	-	(2,572)
69,583	78,194,757	62,325,952	Total		15,938,388	44,144,108	42,172,505	17,909,991

## Intangible Assets (Preliminary Expenses pending write off)

SCHEDULE - 24  
(In Rupees)

APPENDIX

Balance at the beginning of the previous Year	Cost incurred during the previous year	Cost charged to revenue during the previous year	Intangible Assets	Account Code	Balance at the end of the previous (31.3.2006)	Cost incurred during the previous year	Cost charged to revenue during the previous year	Balance at the end of this year 31-03-2007
1,174,200	-	195,700	Expenses for forming and organising the Company	10.300	978,500	-	195,700	782,800
1,174,200	-	195,700	Total		978,500	-	195,700	782,800



# 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 01-04-2006	Further investments during the year (2006-07)	Closing Balance as on 31-03-2007
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
33,631,917	28,471,545		Investments against funds				
2,016,600	-		Contingency reserve Investments	20.100	62,103,462	30,000,000	92,103,462
			Investment in Equity Share capital of RESCOs	20,410	2,016,600	-	2,016,600
35,648,517	28,471,545	-	Grand Total		64,120,062	30,000,000	94,120,062

## TOTAL CURRENT ASSETS

SCHEDULE - 26  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Stocks	26(a)	665,914,516	360,164,326
2	Receivables against supply of power	26(b)	3,558,943,017	3,386,698,705
3	Cash and Bank Balances	26(c)	873,435,581	681,159,686
4	Loans and advances	26(d)	1,589,940,227	3,609,444,386
5	Sundry Receivables	26(e)	3,334,825,135	3,705,195,934
	<b>TOTAL</b>		<b>10,023,058,476</b>	<b>11,742,663,037</b>

### STOCKS

SCHEDULE - 26(a)  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Stock of materials at other stores	22.500, 620 & 630	764,549,219	473,333,076
2	Materials at site	22.640 & 22.650	5,413,007	5,216,694
3	Materials pending inspection	22.660 & 670	8,560,996	(5,686,258)
4	Materials in transit	22.680 & 690	7,529,936	9,505,847
5	Other Materials Accounts	22.700	37,358,265	21,609,733
6	Materials stock excess/shortage pending investigation	22.800	394,465	394,465
7	Provision for recovery/write off of cost of materials	22.900	(157,891,372)	(144,209,231)
	<b>TOTAL:</b>		<b>665,914,516</b>	<b>360,164,326</b>

### RECEIVABLES AGAINST SUPPLY OF POWER

SCHEDULE - 26(b)  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Sundry Debtors for sale of power	23.100	1,596,169,085	1,470,578,233
2	Sundry Debtors for Electricity Duty	23.200	44,881,137	31,438,774
	23.300 Sundry Debtors Collection account ( C.C. Charges)	23.300	-	
3	Provision for unbilled Revenue Accrued revenue-Generation	23.400	2,241,623,738	2,205,105,830
4	Sundry Debtors - Miscellaneous Receipts from consumers	23.700	40,809,796	44,205,183
	<b>Sub-Total:</b>		<b>3,923,483,756</b>	<b>3,751,328,020</b>
5	<b>Less: Provision for doubtful dues from consumers</b>	<b>23.900</b>	<b>364,540,739</b>	<b>364,629,315</b>
	<b>TOTAL:</b>		<b>3,558,943,017</b>	<b>3,386,698,705</b>



## CASH AND BANK BALANCES

SCHEDULE - 26(c)  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Cash on hand	24.100	25,096,170	16,034,074
2	Cash Imprests with staff	24.200	964,240	1,002,759
3	Balance with Banks	24.300 & 400	737,945,792	1,096,715,107
	Cash and Bank Balances		764,006,202	1,113,751,940
4	FUNDS CLEARANCE ACCOUNTS Remittance from HQ to Units & Units to HQ in transit	24.500 & 600	109,429,379	(432,592,254)
	TOTAL:		873,435,581	681,159,686

## LOANS AND ADVANCES

SCHEDULE - 26(d)  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Advances for O&M supplies/works	25.100 to 26.700	77,725,406	80,006,205
2	Loans and Advances to staff	27.100 & 27.200	8,242,297	6,656,258
3	Advance Income Tax and Tax Deduction at Source	27.400	68,570,713	41,230,759
4	Loans and Advances - Others	27.800	25,017,466	20,136,354
	Inter Corporate Deposits	27.820 to 27.840	1,100,000,000	600,000,000
	Dues From Other Discoms ( Towards pool imbalance mechanism)	27.820 to 27.840	310,384,345	2,861,414,810
	TOTAL		1,589,940,227	3,609,444,386

## SUNDRY RECEIVABLES

SCHEDULE - 26(e)  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Sundry Debtors-Trading Account	28.100	2,442,474	94,095,928
2	Income accrued and due on investments	28.210 to 28.270	50,004,794	28,823,521
3	Other Income accrued and due	28.290	766,884	55,821,258
4	Amount recoverable from employees/ Ex-employees	28.400	106,487,456	150,597,422
5	Other Claims and Receivables	28.700 & 28.800	12,148,426	1,206,153
6	GPF Trust	28.721	37,520,012	46,585,000
7	P & G Trust	28.722	646,597,075	424,942,055
8	Amount receivable from APGovt.	28.880	1,004,963,053	1,183,208,295
9	Other claims under inter unit accounts	30 to 39	2,413,577	(11,650,639)
10	Deposits (Including Bank Deposits)	28.900	1,471,481,384	1,731,566,941
	TOTAL		3,334,825,135	3,705,195,934
	Less: Reserve	28.865		
	TOTAL		3,334,825,135	3,705,195,934



## SECURITY DEPOSITS FROM CUSTOMERS

SCHEDULE - 27  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	Security Deposits from consumers (in cash)	48.100	4,105,990,438	3,808,899,180
2	Interest payable on consumer's deposits	48.300	194,184,635	179,655,500
	TOTAL:		4,300,175,073	3,988,554,680

## OTHER CURRENT LIABILITIES

SCHEDULE - 28  
(In Rupees)

Sl. No.	Particulars	Account Code	As at 31.03.07	As at 31.03.06
1	A.P.Transco and power purchase liability	41.100 & 200	2,214,001,267	1,851,998,191
2	Liability for capital supplies/works	42.100 to 42.300	261,976,666	250,416,809
3	Liability for O&M supplies/Works	43.100 to 43.300	322,080,097	108,094,612
4	Staff related liabilities and provisions	44.100 to 44.400	696,327,804	567,258,653
5	Deposits and retentions from suppliers and contractors	46.100	371,633,677	479,099,657
6	Electricity Duty and other levies payable to Govt.	46.300	643	643
7	Liability for expenses	46.400	81,182,638	94,638,865
8	Accrued liability amounts relating to borrowings.	46.700	21,607,399	10,448,802
9	Provision for Income Tax	46.800	67,057,910	44,475,622
10	Other liabilities and provisions	46.900	122,472,306	111,807,540
11	Deposits for electrification, service connection etc.	47.000	422,943,656	425,129,151
12	Liability towards Kutir Jyoti Scheme.	47.350	80,821,391	93,954,553
	TOTAL:		4,662,105,454	4,037,323,098

## 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 (1-04-2006)	Amt. received during the year (2006-07)	Payments made during the year (2006-07)	Outstanding at the end of the year (31-03-2007)
527,429,920	17,805,000	13,855,620	REPAYMENTS DUE Loans from Govt. of Andhra Pradesh State Government (APL - I)	51.101 & 52.101 52.108	531,379,300	-	704,000	530,675,300
	60,260	60,260				-	-	-
527,429,920	17,865,260	13,915,880	TOTAL		531,379,300	-	704,000	530,675,300

## CAPITAL & OTHER LIABILITIES

SCHEDULE - 32  
(In Rupees)

Outstanding at the beginning of the Previous year	Amount Received during the Previous year	Repay-ments due during the previous year	Particulars	Rate of Interest (%)	Account Code	OB as on 01-04-2006	Amount received during the year (2006-07)	Repay-ments made during the year (2006-07)	Outstand-ing at the end of the year (31-03-2007)
4,556,390,903	1,074,558,144	1,353,090,357	Secured Loans (i) Loan from REC Ltd	11.00%	51.102 & 52.102	4,277,858,690	583,012,846	946,598,702	3,914,272,834
16,989,949	777,066,887	11,781,322	(ii) Loan from PFC Ltd	12.00%	51.104 & 52.104	782,275,514	564,876,222	91,898,214	1,255,253,522
460,862,129	-	48,089,964	(iii) Loan from ICICI	7.14%	51.105	412,772,165	-	48,089,964	364,682,201
416,330,000	-	41,633,004	(iv) Loan from Bank of Baroda	7.20%	51.106	374,696,996	1,863,561	43,496,565	333,063,992
	202,200,000		(v) AP Transco Vidyut Bonds		51.107	202,200,000	-	-	202,200,000
			(vi) Loan from SBH	9.00%	51.103		250,000,000		250,000,000
			(vii) CC limits - SBH		50.200		309,057,281	81,937,281	227,120,000
			Other Liabilities towards subsidy reallocation and adjustment through APPCC		52.105	2,275,491,739	-	2,275,491,739	-
5,450,572,981	4,329,316,770	1,454,594,647	Total			8,325,295,104	1,708,809,910	3,487,512,465	6,546,592,549

## FUNDS FROM STATE GOVERNMENT

SCHEDULE - 33  
(In Rupees)

Outstanding at the beginning of the Previous year	Amount Received during the Previous year	Payments made during the previous year	Particulars	Account Code	Outstanding at the end of Previous year (31-03-2006)	Amount received during the year (2006-2007)	Repayments due during the year (2006-2007)	Outstanding at the end of the year (31-03-2007)
1,220,000,000	-	-	SHARE CAPITAL Authorised Capital 12,20,00,000 equity shares of Rs.10 each.		1,220,000,000	-	-	1,220,000,000
1,212,253,290	-	-	Issued subscribed and paidup capital 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 Andhra Pradesh vide G.O.Ms No.109 dated 29-09-2001)	54.600	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	Particulars	Account Code	OB as on 01-04-2006	Additions during the year (2006-07)	Amortisation during the year (2006-07)	Total at the end of the year 31-03-2007
Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	
2,899,329,719	1,062,717,788	1. Consumers Contribution	55.100	3,962,047,507	949,630,975	1,264,031,302	3,647,647,180
846,794	-	2. Subsidies towards cost of Capital Assets	55.200	846,794	-	60,265	786,529
251,435,500	-	3. Grants towards cost of Capital Assets	55.300	251,435,500	-	50,597,868	200,837,632
3,151,612,013	1,062,717,788	TOTAL		4,214,329,801	949,630,975	1,314,689,435	3,849,271,341



# 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 (31-3-06)	Additions during the year (2006-07)	Deductions during the year (2006-07)	Balance at the end of the year (31-03-2007)
				RESERVES & RESERVE FUNDS					
64,367,979	33,238,673	-	1	Capital Reserve ( Contingency res.)	56.200	97,606,652	58,824,614	2,700,389	153,730,877
(263,495,485)	275,869,018	1,852,466	2	Other Reserves and Reserve funds (PF, P&G Trusts balance)	56.600	10,521,067	3,704,932	-	14,225,999
583	770,644,282	770,644,865	3	General Provident Fund	57.121, 122 & 57.123&125	-	1,098,655,452	1,098,682,595	(27,143)
(752,129)	146,330	2,884,284	4	Family Benefit Fund	57.151	(3,490,083)	333,612	799,378	(3,955,849)
2,131,707	7,079,676	5,006,013	5	Group Insurance - Savings Fund	57.152&153	4,205,370	7,075,877	4,956,871	6,324,376
(412,268)	739,603	1,245,599	6	Group Insurance-Insurance Fund	57.154	(918,264)	656,022	1,241,752	(1,503,994)
130,146,022	1,004,425,501	813,212,595	7	Pension/Gratuity Fund	57.130, 135, 141, 142 & 145	321,358,928	1,341,039,870	1,021,241,244	641,157,554
(68,013,591)	2,092,143,083	1,594,845,822		TOTAL		429,283,670	2,510,290,379	2,129,622,229	809,951,820



# *Notes to Accounts*





## NOTES TO ACCOUNTS

(2006-2007)

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 in Electricity Act, 1948 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. Change in Accounting Policies during the year:

### (A) Contribution, Grants and Subsidy Towards Cost of Capital Assets

The previous accounting policy no.2.28 reads as under:

"Consumer's contribution subsidies and grants towards cost of capital assets are not treated as a reduction in the cost but as a capital receipt to be credited to Capital Reserve account.

Revised accounting policy no.2.28 is as under:

"Consumers contribution capital 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.

### Impact:

Change in accounting policy no. 2.28 has been done with retrospective effect since the formation of the Company. Accordingly, during the year 2006-07, an amount of Rs.90,05,75,199 pertaining to the period upto 31.3.2006 is accounted as an extra-ordinary income and Rs.41,41,14,236 is accounted as other income to the Company. The un-amortised portion is disclosed as deferred income balance of consumers' contribution, subsidies and grants towards cost of capital assets separately.

### (B) Accounting for incidental Expenses for purchase of materials:

The previous accounting policy no.2.69 reads as under:

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

Revised accounting policy no.2.69 is as under:

"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".

### Impact:

Accordingly an amount of Rs.78.97 lakhs incurred towards stores incidental expenses has been included in the cost of inventory during F.Y.2006-07



### 3. Revenue recognition & rebates:

- a. The revenue from LT Domestic, Non-Domestic and General-purpose categories of Consumer is based on Monthly and Bi-monthly system of billing.
- b. 25% Rebate to new IT Industries is allowed to consumers as and when the sanction is accorded by the competent authority in accordance with the Tariff Order. However, suitable provision is made for claim from Government of Andhra Pradesh towards reimbursement of the said rebate.
- c. Unbilled revenue as at the end of the financial year is provided in the books of accounts on 'estimation basis.' Unbilled revenue in case of HT services is calculated service wise to arrive at estimated unbilled revenue
- d. Sale of Power: The sale of power to different categories of consumers is based on actual consumption / computed consumption in the instances of absence of actual recorded consumption. The revenue and billing is done as per the tariff order issued by the APERC for the year 2006-07 duly applying the General Terms & Conditions of supply adopted by the company
- e. The incentive Scheme introduced for HT-CAT-I during the Financial Year 2001-02 and defined in the tariff order for the FY 2001-02 with base year 2000-01 continues to be operative as the commission notes that the scheme has made a positive impact to boost the sales under this category. As per Tariff Order for the F.Y 2001-02 the incentive scheme is applicable for new consumers also.
- f. Rebate on power purchase bills for Rs 17.54 Crores and incentive on timely payment bills of Rs 7.43 Crores during 2006-07 from NLC, NPC and NTPC has been disclosed as reduction from power purchase cost.
- g. Bills raised on consumers and others for Theft of Energy / Mal Practices of Electricity has been considered as revenue considering the following facts:
  - ☐ Initial Assessment order will be passed and 50% of the amount assessed is collected and kept under deposit.
  - ☐ Final Assessment is completed and the amount assessed will be treated as revenue and demand will be raised on consumer. Any excess / short collection from consumer when compared with the amount finally assessed will be refunded / recovered.

### 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 31<sup>st</sup> March, 2007 towards safety measures as directed by APERC vide para No. 365 of Tariff Order for the year 2006-07.

### 5. Income Tax:

- ☐ The company has filed an appeal before the Honourable Income Tax Appellate Tribunal against the demand notice of Rs.1.519 crores raised in respect of the Assessment year 2001-02. The appeal is pending finalisation. However, 50% of demand is paid under protest to the Assessing Officer subsequent to March-2007.
- ☐ In respect of Assessment Year 2004-05 the company has won the appeal before commissioner of Income Tax (A). However, The Assessing Officer has filed a further appeal before Income Tax Appellate Tribunal.
- ☐ 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 2006 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 in the process of analysis.



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

- On the 7<sup>th</sup> June 2005 Govt. of Andhra Pradesh has announced 3<sup>rd</sup> Transfer scheme for transfer of Bulk Supply undertaking from APTRANSCO to the DISCOMs. The generation capacity allocated to EPDCL is 16.70%. The provisional period of III Transfer Scheme, which is originally for two years, has been extended for a further period of six more months.
- Govt. of AP vide G.O.Ms.No.59 Dt.7.6.2005 set up an apex committee "AP Power Co-Ordination Committee (APPCC)" for the purposes relating to Power procurement, Debt Servicing, Unscheduled inter change related transactions, inter state trade and operation of common Pool account of four Discoms. As per the above mechanism, pool account was operated by APPCC and the Bank Balance of the company utilised by other Discoms (APCPDCL, APSPDCL & APNPDCL) is accounted in A/c No. 27.800 in Schedule no.26(d).
- The company has made inter state sales and Inter Discom Sales of Rs.166.00 crores (Rs. 232.70 crores in F.Y:2005-06) The selling price of the said sales is adopted as fixed by the Andhra Pradesh Co-ordination Committee based on the directions issued vide GO.Ms. NO. 58 Dt. 07.06.2005 and subsequent working instructions.

## 8. Fixed Assets:

- 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 27<sup>th</sup> March, 1994 issued under the Electricity (Supply) Act, 1948. From the year 2004-05 Depreciation is being provided also on assets capitalised during the year "from the date of completion and put to use" in compliance with the Accounting Standard 6 "Accounting for Depreciation" issued by the ICAI and the recommendations of APERC.
- The physical verification and reconciliation of Fixed Assets in various circles/divisions is under process.
- The Company's Fixed Assets comprising of Vehicles have been insured fully and 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.

## 9. Earned Leave encashment:

Liability towards Earned Leave encashment is provided on the basis of Actuarial Valuation. The liability provided during the year 2006-07 is Rs.21.79 crores.

## 10. Contribution to Pension and Gratuity funds:

The contribution towards pension and gratuity of employees has been provided @ 17.81% for employees on rolls as on 1-2-99 and @ 2.09% towards gratuity for employees joined after 1-2-99 as recommended by M/s India Life Hewitt an Actuary in its draft report.

## 11. Security Deposits collected from the consumer to the end of the year is Rs. 410.59 crores as against Rs. 380.88 to the end of F.Y. 2005-06. 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. It is assumed that consumer contribution, subsidies and grants towards cost of capital assets is spent towards capitalized works for the purpose of amortisation as deferred income.

## 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 31-03-07.



(Rs. in Lakhs)

Sl. No.	Name of the Stores	Scrap	Surplus	Obsolete	Non-Moving	Un Serviceable	Total
1	Srikakulam	11.47	0.00	0.00	0.00	0.03	11.50
2	Vizianagaram	16.21	0.00	0.00	0.00	0.18	16.39
3	Visakhapatnam	45.25	0.00	16.78	80.28	0.00	142.31
4	Rajahmundry	91.23	0.73	0.00	1.54	0.00	93.50
5	Eluru	106.58	0.00	0.00	0.00	0.00	106.58
	TOTAL	270.74	0.73	16.78	81.82	0.21	370.28

- ☐ Out of the above Rs 270.74 lakhs pertaining to scrap is representing estimated realizable value.
- ☐ Steps for effective utilization of non-moving inventory are in process.
- ☐ In the opinion of the company, the provision existing as on 31.3.2007 is adequate enough to take care of the surplus, obsolete & unserviceable inventory.

15. Income from Trading includes Profit on sale of Scrap amounting to Rs. 335.5 Lakhs for the year whereas for the previous year profit on sale of scrap is Rs.145.24 Lakhs.
16. During the year 18% of the Employee Cost has been capitalised, which is based on assessment / evaluation made by management in quantifying the contribution made by employees towards Capital Works.
17. 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.
18. 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.
19. Aggregate amount of Capital Liabilities (tentative) falling due for Repayment / Redemption during 2007-08 is:

(Rs. In Crores)

Funding Agency	Principal Repayment	Interest Payable
REC	48.89	35.00
PFC	12.44	11.65
Govt. Loan (PMGY)	1.90	1.29
ICICI	4.81	2.45
Bank of Baroda	4.16	2.35
State Bank of Hyderabad	Nil	2.25
TOTAL	72.20	54.99

20. Purchase of Power: The cost of Power Purchase is finalized at APPCC level .

21. Capital and other liabilities and Lien etc., on Company's assets:

(A):

- a Rural Electrification Corporation Limited has sanctioned Rs. 155.69 Crores for construction of new sub-stations and energisation of agricultural pump sets

- b. The company has been sanctioned with Loan Limit of Rs. 96.50 Crores from Power Finance Corporation Ltd for High Voltage Distribution System works.
  - c. State Bank of Hyderabad has sanctioned Rs 67.20 Crores for conversion of Low Voltage net work into High Voltage Distribution System (PH-IV) in Eluru W.G. District .
- ☐ The above loans are secured by way of charge on the movable Properties including Machinery, Equipments, Machinery spares, Tools, Implements & Accessories created, erected / installed out of the loan.

(B): Rajiv Gandhi Grameena Vidyudeekarana Yojana works:

- ☐ As per the terms of the Tripartite agreement among Rural Electrification Corporation Ltd , Government of Andhra Pradesh and APEPDCL dated 12.08.05, Government of Andhra Pradesh shall be the owner of the assets created on implementation of the individual projects(s),as posed by "APEPDCL" and sanctioned by REC under the National Programme.
- ☐ Government of Andhra Pradesh have authorized the "APEPDCL" to operate and maintain these assets to effect power supply in the project area and derive consequential benefits out of the assets created under the project.
- ☐ Government of Andhra Pradesh has under taken to repay the loan component of such funds & interest thereon and other charges to REC as per terms and conditions set out in the sanction letters issued by REC for these Projects.
- ☐ In view of the above clauses of tripartite agreement and to have a better internal control over the utilization of funds, amounts received towards RGGVY works has been credited to "liability towards capital supply/works" and expenditure incurred towards RGGVY works is debited against said funds received.

22. Frauds: During the year one incident of fraud / misappropriation of funds by RSDP Operator in Palakollu ERO of Eluru Circle has been identified – and the amount involved in this case is Rs 28.01 Lakhs. Out of this amount Rs.13.65 Lakhs is recovered. Provision for the balance of 14.36 lakhs is not required since bank guarantee is available in favour of EPDCL.

23. 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	2006-07	2005-06
1	Gross Energy Purchased	8765.186	8160.278
2	Gross Energy Input	8765.186	8160.278
3	Direct Sales:		
	a) EHT	387.536	514.070
	b) HT	78.868	86.786
	c) NTPC		-
	d) Total direct Sales (a + b + c)	466.404	600.856
4	Net Energy Input (2 – 3d)	8298.782	7559.422



S.No	Particulars	2006-07	2005-06
5	Sale by Circles:		
	a) EHT(incl. Ferroalloy)	1719.896	1401.896
	b) HT	1301.633	1198.905
	c) LT(Excluding Agl)	2998.133	2755.890
	d) Agricultural Consumption	1246.857	1223.883
	e) Total Sales by Circles	7266.519	6580.574
6	Circle Losses (MU)	1032.262	978.848
	Sub-transmission losses (%)	15.505	15.676
	Circle Losses to Gross Input (%)	11.777	11.995
	Discom Losses (%)	12.439	12.949

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

(Rs. In Rupees)

Sl.No	Particulars	Sri.G Sai Prasad, IAS CMD	Sri. Praveen Prakash, IAS CMD	Sri A.K. Ghosh (Director - Fin)	Sri A. Kodanda Ramaiah (Director - Oper)	Sri Sudhakar Reddy, Director (Proj)
1	Salary/Remuneration	68137	206588	396000	183200	221100
2	Commission	Nil	Nil	Nil	Nil	Nil
3	Contribution to PF		Nil	Nil	Nil	Nil
4	Allowances/DA	58612	144575	60000	111094	98752
5	Estimated Benefits such as Telephone, Accommodation and Conveyance etc.	20586	69539	43848	46248	46248
6	Sitting Fee etc.	0	Nil	Nil	Nil	Nil
7	Contribution to PF			9360	9360	
	Total	147335	420702	509208	349902	366100

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

(Amount in Rupees)

Sl.No.	Particulars	Sri.G. Kesava Rao (Non-whole time director)	Sri Harish Kumar IAS	Sri. Harish Kumar, IAS And Sri K.Gopal Krishna (Non-whole time director)
1	Sitting fee	500	500	1000
2	Out of pocket expenses	1500	1500	3000
	Total	2000	2000	4000

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	2006-07	2005-06
a)	For Statutory Audit Fee	3.39	3.36
b)	For Tax Audit Fee	0.83	0.74
c)	For Company Law Matters	0	0
d)	For Other Services	0	0
e)	For reimbursement of out of pocket expenses	1.00	1.00
	Total	5.22	5.10

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

24. Court Cases / Legal Disputes / Contingent liabilities:

- An amount of Rs. 4.01 crores is paid under protest to NTPC towards Unscheduled Inter-change costs and kept under deposit since the matter is pending finalisation of the Special Leave Petition before Supreme Court.
- The receivables for sale of power as on 31-03-07 include Rs.54.63 Crores which are Subject to finalisation of disputes/court cases.
- Demand raised on the participating industries of Andhra Pradesh Gas Power Corporation Limited to the tune of Rs. 9.25 cores during 2006-07 is in dispute. Realisability of the same depends of the outcome upon finalisation of the said dispute. The Corresponding power purchase cost to the tune of Rs. 5.84 crores is also provided in the books of account based on conservatism.
- Cash at Bank includes Rs.18.17 lakhs deposited under court directions for Non- payment of compensation in case of third party fatal accidents. Interest accrued on above deposit is not taken into accounts based on the convention of conservatism.
- Liability towards Guarantees / Counter Guarantees issued - Nil.
- Liability on Partly paid shares - Nil
- 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.
- Demand raised by Central Excise authorities for an amount of Rs.20.11 Lakhs relating to manufacture of PSCC poles etc.,is pending before Appellate authorities.
- Klen & Marshall the 'Lessor' of certain equipment to the Company has claimed Rs1.40 Crores towards lease rentals 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.
- An amount of Rs 265597.00 is deposited in court under protest in respect of fatal accident compensation in Bobbili Division of Vizianagaram Circle.
- An amount of Rs 250638.00 is deposited in court under protest in respect of fatal accident compensation in Tekkali Division of Srikakulam Circle.
- An amount of Rs 1325401 was paid in Vizianagaram Circle under protest to EPF authorities



- m) There is dispute on differential excise duty in respect of district stores /Simhachalam/Visakhapatnam Circle for Rs 1,22,643/-
  - n) There is dispute on implementation of Employees Provident Fund Scheme in respect of Contract labour engaged for manning of sub-stations and other works for which notices issued by Assistant Provident Fund Commissioner to Anakapalli Division (For Rs.8.95 lakhs) & Paderu Division(For Rs.8.05 lakhs) of Visakhapatnam Circle under section 7-B of EPF & MP Act.
  - o) Interest claimed for delayed payments to SSI units to the tune of Rs 3.67 Crores is not considered as an expenditure as the matter is under dispute in High Court
25. Previous years figures are regrouped and rearranged wherever necessary
26. Amounts have rounded off to nearest rupee.

As per our report attached  
for M/s Sagar & Associates  
Chartered accountants

Partner  
Membership No : 202352

C.Sudhakar Reddy  
Director(Projects)

P. Vithal Kumar  
Company Secretary

For and on behalf of the Board

Lav Agarwal, I.A.S  
Chairman & Managing Director

List of Small Scale Units to whom the company owes an amount exceeding  
Rs.1,00,000/- and outstanding for more than 30 days

S.No.	Name of the Creditor (SSI unit)	Amount (Rs.)
1	Vijay Electricals, Vijayawada	2,97,150
2	Vijeta Transformers Pvt. Ltd. Hyderabad	2,52,611
3	S.V.R Electricals Pvt. Ltd, Guntur	30,04,096
4	G.R.Power Switchgear Hyderabad	42,46,252
5	Sri H.C.L Comnet Ltd., Noida	1,29,593
6	R.B. Electrical & Engg. Ind., R.R district	12,35,418
7	S.R.M.B. Udyog Ltd., Kolkata	7,48,348
8	Trans Distribution Systems, Hyderabad	2,97,530
9	Visakhapatnam Steel Plant, Hyderabad	4,83,408
10	Vijai Electricals, Hyderabad	1,56,373
11	ICSA (India) Ltd., Hyderabad	94,62,023
12	Vijaya Casting Works, Vijayawada	2,34,031
13	Hi-Power Electrical Ind. Hyderabad	59,56,364
14	Kanyaka parameswri Engg. Hyderabad	16,23,631
15	Bikaner Ceramics (P) Ltd., Bikaner	2,62,700
16	Sree Vigneswara Electricals, Prodduturu	35,01,257
17	Havell's India Ltd., Delhi	31,36,711
18	Arjuna Mahalakshmi PSCC Poles Industry, Guntur	1,39,200
19	Amara Raja Batteries Ltd., Hyderabad	1,38,686
20	Geekay Wires Private Ltd., Hyderabad	8,64,049
21	Gyro Laboratories, Mumbai	5,88,963
	Total >>>	3,67,58,394







# *Accounting Principles and Policies*

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## EASTERN POWER DISTRIBUTION COMPANY OF AP LIMITED

Corporate Office :: P&T Colony, Seethammadhara :: Visakhapatnam

Year – 2006-2007

### 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 accounting 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 DEFERRMENT 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 or contractor charges payable to outsiders for work done by them in respect of capital jobs are included in the cost of concerned capital assets.

## Employee Costs of Company's Staff

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

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

- 1) Temporary employees-monthly payments such as salaries/wages, dearness allowance, overtime and other allowance are capitalised. Some temporary employees may be entitled to retirement benefits. Monthly contribution to Provident fund and family pension Scheme should also capitalised.
- 2) Additional emoluments (e.g., Project allowance) to O&M staff for working additionally on a capital project are recorded in a separate account on accrual and are fully capitalised.
- 3) A separate payroll is prepared for a group of permanent staff members, if any deployed exclusively or largely on capital jobs. The costs are booked under a distinct department codes such as 'construction' or 'Project Section' etc. All monthly payments (salaries, overtime D.A. and other allowances) recorded under such departments codes are fully capitalised.

## Expenses Chargeable to Capital Works

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

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

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



includes architectural fees).

7) Power consumed for construction.

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

## Capitalisation to Depreciation

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

## Land and Land Rights

2.14 Land cost comprise of the following:

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

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

## Buildings

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

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

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

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

## Additions, improvements, Replace-ment & Repairs

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

### Repairs before commissioning of Assets

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

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

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

### Additions

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

### Improvements

2.23 An expenditure having the effect of extending the useful life of an asset or increasing output or capacity or efficiency of an asset or decreasing operating costs of an asset is 'improvement'. Expenditure on improvement may involve replacement

of 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

2.24 Replacements can be defined as 'substitution of one fixed asset by another, particularly of an old asset by a new asset, or of an old part by a new part' Expenditure on 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

2.25 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

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

2.27 Amount receivable as consumer's contribution, subsidy or grant towards capital assets are credited to appropriate account set out in chart of Accounts only if the following conditions are satisfied:

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

2.28 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

2.29 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:

2.30 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.

2.31 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.

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



## Capitalisation when Asset is first put to use

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

### Technical Certificate

2.34 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

2.35 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

2.36 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

2.37 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

2.38 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

2.39 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

2.40 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.
  - 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
  - The asset permanently ceases to be used by the Company.

Whichever is earlier

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

2.41 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.

2.42 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)

2.43 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'.

2.44 Assets used for construction are classified as under:

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

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

2.46 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',

2.47 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.

2.48 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.

2.49 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

2.50 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

2.51 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) Freight 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

2.52 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

2.53 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

2.54 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.

2.55 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.

2.56 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

2.57 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:

2.58 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

2.59 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

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

## Finance related costs.

2.61 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

2.62 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.

2.63 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.

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

2.65 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.

2.66 No part of interest are capitalised in respect of assets which involve no time period or involve insignificant time periods for bringing the asset into

usable condition examples of such cases are:

- Purchase of new vehicles
- Purchase of Office equipments

2.67 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

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

### Accounting for Incidental Expenses

2.69 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

2.70 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

2.71 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.

2.72 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.

2.73 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

2.74 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

2.75 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.

2.76 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

2.77 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.

2.78 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'

2.79 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

2.80 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

2.81 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.

2.82 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.

2.83 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

2.84 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

2.85 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.

2.86 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

2.87 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

2.88 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**

2.89 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.

2.90 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.

2.91 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.

2.92 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.

2.93 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.





## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE OF

**SCHEDULE VI  
PART IV**

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

**THE COMPANIES  
ACT, 1956  
(1 OF 1956)**

### I. Registration Details :

Registration No.

3 4 1 1 7

State Code

0 1

(Refer Code List)

Balance Sheet Date

3 1

0 3

20 07

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

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private  
Placement

N I L

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

Total  
Liabilities

1 2 9 4 8 7 4 4

Total Assets

1 2 9 4 8 7 4 4

#### Sources of Funds

Paid-up  
Capital

1 2 1 2 2 5 3

Reserves &  
Surplus

8 0 9 9 5 2

Secured  
Loans

7 0 7 7 2 6 8

Unsecured  
Loans

3 8 4 9 2 7 1

#### Application of Funds

Net Fixed  
Assets

1 1 7 9 3 0 6 3

Investments

9 4 1 2 0

Net Current  
Assets

1 0 6 0 7 7 8

Miscellaneous  
Expenditure

7 8 3

Accumulated  
Losses

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

Turnover

2 3 2 2 6 7 6 4

Total  
Expenditure

2 3 0 9 6 0 6 6

Profit / Loss before tax

1 3 0 6 9 8

Profit/Loss after tax

1 0 7 1 9 8

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

Earning per  
Share in Rs.

Dividend rate %

-

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

Item Code No. (ITC Code)

Product Description

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

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

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 Seventh Annual General Meeting of the Company to be held on 30<sup>th</sup> November, 2007 at the Registered Office of the company at P&T Colony, Seethammadhara, Visakhapatnam - 530 013 or at any adjournment thereof.

Place :

Date :

Please affix  
Rs. 1  
Revenue  
Stamp





# 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.aeasternpower.com](http://www.aeasternpower.com)

## DIRECTORS

**Sri LAV AGARWAL, I.A.S.**  
Chairman and Managing Director

**Sri HARISH KUMAR, I.A.S.**  
Director (Non whole time)

**Sri K. GOPALA KRISHNA**  
Director (Non whole time)

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

**Sri C. SUDHAKAR REDDY**  
Director (Projects)

## BANKERS

State Bank of Hyderabad

State Bank of India

Andhra Bank

Bank of India

Indian Overseas Bank

## AUDITORS

**M/S. SAGAR & ASSOCIATES**  
Chartered Accountants  
H.O. : H. No. 6-3-244/5, Sarada Devi Street  
Prem Nagar, Hyderabad - 500 004

## COMPANY SECRETARY

P. VITHAL KUMAR



## EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED VISAKHAPATNAM

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## **Quality Policy Of EPDC of AP 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**





