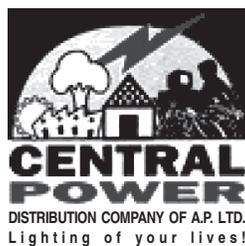


**CENTRAL POWER DISTRIBUTION COMPANY OF
ANDHRA PRADESH LIMITED**



**EIGHTH ANNUAL REPORT
2007-2008**

**Regd. Office: 11-4-660, Singareni Bhavan, Adj. to Hanuman Temple, Red Hills, Khairatabad,
Hyderabad-500004. A.P**

CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LIMITED

BOARD OF DIRECTORS:

SRI G. SAI PRASAD, IAS	CHAIRMAN & MANAGING DIRECTOR
SRI P.R. REDDY	DIRECTOR/FINANCE, IT & RA
SRI A. SRINIVASA RAO	DIRECTOR/HR & COMMERCIAL
SRI B. RAVINDRA REDDY	DIRECTOR/OPERATION
SRI K.H. GHULAM AHMED	DIRECTOR/PROJECTS & P&MM
SRI M. GOPAL RAO	DIRECTOR (NON WHOLE TIME)
SRI K VIJAYANAND, IAS	DIRECTOR (NON WHOLE TIME)

AUDIT COMMITTEE:

SRI M. GOPAL RAO	DIRECTOR (NON WHOLE TIME)
SRI K VIJAYANAND, IAS	DIRECTOR (NON WHOLE TIME)
SRI K.H. GHULAM AHMED	DIRECTOR/PROJECTS & P&MM

AUDITORS:

M/s. M. BHASKARA RAO & Co.,
Chartered Accountants

COMPANY SECRETARY

SMT. K. SUJATHA

BANKERS:

STATE BANK OF HYDERABAD
STATE BANK OF INDIA
ANDHRA BANK
SYNDICATE BANK
BANK OF INDIA
INDIAN OVERSEAS BANK

REGD OFFICE:

11-4-660, III FLOOR,
SINGARENI BHAVAN,
ADJ. TO HANUMAN TEMPLE,
RED HILLS, KHAIRATABAD,
HYDERABAD.

CONTENTS

Sl. No.	Particulars	Page No.
1.	Notice to Members	1
2.	Directors' Report	2 - 4
3.	Annexure A to Directors' Report - Replies to the Auditors' Qualifications	5 - 14
4.	Annexure B to Directors' Report - Replies to C & AG Qualifications	15 - 17
5.	Auditors' Report	18 - 25
6.	Balance Sheet	26 - 27
7.	Profit and Loss Account	28 - 29
8.	Cash Flow Statement	30
9.	Schedules 1 to 17	31 - 41
10.	Significant Accounting Policies and Notes on Accounts	42 - 50
11.	Balance Sheet Abstract and Company's General Business Profile	51

CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.

NOTICE

To
The Members of the Company

NOTICE IS HEREBY GIVEN THAT THE EIGHTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY THE 30-09-2008 AT 11:00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY AT SINGARENI BHAVAN, RED HILLS, HYDERABAD TO TRANSACT THE FOLLOWING BUSINESS:

1. To receive consider and adopt the Audited Profit and Loss Account for the period ended 31-3-2008 and Balance Sheet as on 31-3-2008 together with Directors Report, Statutory Auditors Report and Comments of Comptroller and Auditor General of India, thereon.
2. To take note of the appointment of Statutory Auditors for the financial year 2008-09 under the provisions of Sec.619 of Companies Act, 1956 by Comptroller and Auditor General of India and fix the remuneration of Statutory Auditors for the Financial Year 2008-09.

“RESOLVED THAT pursuant to the provisions of Sec.224 (8) (aa) and other applicable provisions the Board of Directors be and are hereby authorized to fix the remuneration payable to Statutory Auditors M/s. M. Bhaskara Rao & Co., Chartered Accountants for the financial year 2008-09.”

BY THE ORDER OF THE BOARD OF DIRECTORS OF
CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LIMITED.

Sd/-
K. SUJATHA
COMPANY SECRETARY

Note:

1. A member entitled to attend and vote in person or by proxy.

CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighth Annual Report of the Company, together with the Audited Accounts of the Company for the year ending 31st March, 2008.

FINANCIAL RESULTS

During the year under review, the Company achieved an aggregate income of Rs.7405.02 crores. The financial performance of the Company is as follows:

		(Rs. in Crores)
➤ Revenue from Sale of Power	:	5871.64
➤ Revenue from Subsidies and Grants	:	1108.00
➤ Other income	:	425.38
➤ Power Purchase Cost	:	5797.58
➤ Provision for depreciation	:	233.70
➤ Interest and Finance Charges	:	279.68
➤ Surplus	:	11.35
➤ Net worth of the Company	:	1410.89

The infrastructure of the Company:

S.No.	Particulars	As on 31-3-2008	
1.	No. of Substations	33 KV	1125 Nos.
2.	Distribution Transformers		182792 Nos.
3.	Power Transformers		1641 Nos.
4.	Length of Lines (ckt km)	33 KV	12196.10KM
		11 KV	78495 KM
		LT	192912.3 KM
		LT AB Cable	8384.50KM
		11 KV UG Cable	543.323KM
		LT UG Cable	351.34KM
		33KV UG Cable	140.86 KM
5.	Rural Electrification:		
	a. Villages		6506 Nos
	b. General Hamlets		6010Nos.
	c. Tribal Habilitations		3769Nos.
	d. Dalit Wadas		16107 Nos.
	e. Weaker Section Colonies		8222Nos.

DIRECTORS:

The Board of Directors of the Company are as follows as on the date of this report:

1. Sri. G. Sai Prasad, IAS	Chairman & Managing Director
2. Sri. P Rajagopal Reddy	Director/Finance, IT & RA
3. Sri. B Ravindra Reddy	Director/Operation
4. Sri. A Srinivasa Rao	Director/ HR & Comml.
5. Sri. K H Ghulam Ahmed	Director/Projects & P&MM
6. Sri. M.Gopal Rao	Director (Non-whole time)
7. Sri. K.Vijayanand, IAS	Director (Non-whole time)

CHANGES IN BOARD SINCE LAST REPORT:

The Government of Andhra Pradesh issued orders, appointing Sri K.Vijayanand, IAS as Non Whole time Director of the Company in place of Sri Harish Kumar, IAS vide G.O. Ms.No.53 DT. 31.3.2008.

BOARD MEETINGS HELD DURING THE YEAR:

During the financial year 2007-08, the Company has held Nine Meetings of Board of Directors.

Directors	Meetings Attended	Remarks
Sri G. Sai Prasad, IAS	9	
Sri P Rajagopal Reddy	9	
Sri B. Ravindra Reddy	7	
Sri A. Srinivasa Rao	9	
Sri. K H Ghulam Ahmed	9	
Sri M Gopal Rao	9	
Sri Harish Kumar, IAS	8	Sri K. Vijayanand, IAS was nominated as Non-whole time Director in his place on 31.3.2008

CONSTITUTION OF AUDIT COMMITTEE:

In compliance with the provisions of Section 292A of Companies Act, 1956 (as amended), Audit Committee constituted by the Company consists of the following members.

1. Sri K.H. Ghulam Ahmed Director (Projects & P&MM)
2. Sri Harish Kumar, IAS (Non whole time Director) (Up to 31.03.2008)
3. Sri M Gopal Rao, (Non whole time Director)
4. Sri K. Vijayanand, IAS (after 31.03.2008)

The Audit Committee was reconstituted due to the change in the position of Non-whole time Directors in the financial year 2008-09, as Sri K. Vijayanand, IAS was nominated by Government of Andhra Pradesh in place of Sri Harish Kumar, IAS.

The Audit Committee met five times during the financial year 2007-08. The Annual Accounts for the year 2007-08 were reviewed by Audit Committee in its meeting held on 28 - 07 - 2008.

AUDITORS OF THE COMPANY:

M/s Bhaskara Rao & Co, Chartered Accountants were appointed by Comptroller and Auditor General of India (C&AG) as the Statutory Auditors of the Company for the year ending 31-3-2008.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

The information in accordance with the provisions of Section 217(1) (e) of Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1998 regarding conservation of energy, technology absorption and foreign exchange earning and outgo, is not furnished as they are not applicable to the Company.

PARTICULARS OF EMPLOYEES UNDER SEC 217(2A):

The information under Sec 217(2A) of Companies Act 1956, read with Company (Particulars of Employee) Rules, 1976 may be taken as nil.

DIRECTORS RESPONSIBILITY STATEMENT:

The Board of Directors of your Company has met Nine times during the financial year 2007-08.

In accordance with Sec 217 (2AA) of the Companies Act, 1956, the Directors of the Company hereby state that:

The Annual Accounts are prepared as per Schedule VI of the Companies Act, 1956 and the applicable standards are followed, so as to give a true and fair view of state of affairs of the Company as at the end of the financial year 31st March, 2008. The rates of depreciation are adopted as per the Gazette notifications issued by the Ministry of Power, Government of India from time to time.

The Directors have taken proper and sufficient care for the maintenance of accounting records; for safeguarding assets of the Company; and preventing and detecting fraud and other irregularities.

The Annual Accounts are prepared on a going concern basis.

Acknowledgements:

The Directors gratefully acknowledge the support extended by various agencies involved in the operations of the Company, including financial institutions. The Board of Directors wishes to place on record its sincere appreciation for the all round co-operation and contributions made by the officers and staff of the Company.

For and on behalf of the Board of APCPDCL,

Place: Hyderabad
Date:29-09-2008

Sd/-
G. Sai Prasad
Chairman and Managing Director

Annexure A to the Directors Report

A. Company's Replies to the Auditors Qualifications/Reservations

STATUTORY AUDITORS' REPORT

To
**The Members of
 Central Power Distribution Company of Andhra Pradesh Ltd.
 Hyderabad.**

Company's Reply

We have audited the attached revised Balance Sheet of **Central Power Distribution Company of Andhra Pradesh Limited**, as at 31st March 2008 and also the Profit and loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

I. As required by the Companies (Auditor's Report) Order, 2003 as amended by the companies (Auditors Report) Order (Amendment), 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

II. Further to our observations in the annexure referred to in paragraph I above, attention is invited to the following items of Notes to Accounts in Schedule 18(II) and Significant Accounting Policies in Schedule 18(I):

i) (a) Reference is invited to Note No.3.1 regarding *transfer of assets and liabilities under "Second Transfer Scheme" from APTRANSCO to Distribution Companies on 1.4.2000 and transfer of differences identified between the books available in the field units and the balances transferred as per the Second Transfer Scheme to the 'Second Transfer Scheme Variance Account' under 'Reserve and Reserve Funds' Rs. 29.80 Crores (Net). Pending reconciliation of these differences, we are unable to determine the impact of these on the Profit and Loss Account and Assets and Liabilities of the Company.*

The take over values were adopted as notified by the Government of Andhra Pradesh vide G.O.Ms.No.109, dt. 29.09.2001. The differences identified are under reconciliation.

(b) Power Purchase Agreements: *The Government of Andhra Pradesh announced Third Transfer Scheme, in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred*

Noted

from APTRANSCO to the four Distribution Companies in specified ratio. This scheme was effective from 9th June 2005. In order to facilitate purchase and trading of power, the Government constituted one apex committee and two sub committees. These committees intimate the distribution companies their share of cost of purchase of power, expenses incurred and sale of power to regional and other electricity boards/companies, on a monthly basis.

The monthly statements of purchase, expense and sale as intimated by the committee are incorporated in the books of the Company and have been accepted by us. It may be mentioned that these committees are not legal entities and the figures are yet to be certified by the independent agency.

- c) Reference is invited to Note No 3.2 (a) and Note No 28 wherein it has been stated that by virtue of Third Transfer Scheme all rights and obligations existing as on 09.06.2005 in respect of Bulk supply Undertaking shall devolve upon the company. The contingent liability in respect of the same could not be ascertained. Noted
- ii) Reference is invited to Significant Accounting Policy No.4 (a) regarding Capitalization of employee cost and Administration & General Expenses during the year of Rs.41.52 Crores (Previous Year Rs.25.68 Crores) done at 10% of the Capital Works, instead of determining expenses attributable to the specific asset in line with the Accounting Standard-10 "Accounting for Fixed Assets". The impact thereof could not be ascertained. In the Operation and Maintenance units, the employees attend to both Operation and Maintenance and Capital Works. As such 10% of net capital works (8.5% towards employee cost and 1.5% towards administration & general expenses) is being charged to respective capital works since it is difficult to identify the man hours spent.
- iii) Reference is invited to Significant Accounting Policy No.6 and Note No 4.4 regarding Provision for Depreciation on Fixed Assets which is charged under SLM method at the rates prescribed by the Central Government vide notification No. S.O.266 (E) dated 29th March, 1994 issued under the Electricity (Supply) Act, 1948. However, in respect of Computer, Information Technology Equipments the rate of depreciation prescribed under the Ministry Of Power is lower than rates prescribed under Schedule XIV of the Companies Act, 1956 which amounts to Rs. 0.36 Crore and the profit has been over stated to that extent. The Company is following depreciation rate as notified by the Ministry of Power, Govt., of India through Gazette Notification issued from time to time.
- iv) Reference is invited to Significant Accounting Policy No 2(a) and Note no.5 regarding recognition of unbilled revenue on estimated basis, as against billed revenue has resulted in under - estimation of revenue by 18.13 Crore. Note under reference is self-explanatory
- v) Reference is to Significant Accounting Policy No 5 and invited to Note no. 4.3 regarding Consumer contributed Assets and adjustment of depreciation on Assets created out of consumer contribution. The adjustment for depreciation to total assets was made on the basis of proportionate value of the assets built out of consumer contribution instead of calculating depreciation on identifiable individual contribution to assets. In continuation thereto this exercise has not been applied on the accumulated depreciation in respect of consumer - contributed assets existing prior to 01.04.2000. Consequent to non - withdrawal of depreciation attributable to It is difficult to match consumer contributions with the assets created out of such contributions; hence depreciation has been adjusted based on the proportionate value of the assets built out of consumer contribution. The Company has withdrawn consumer contribution from the date of incorporation, i.e., 01.04.2000 after taking into consideration assets and consumer contribution transferred to the Company as on that date.

consumer contribution assets prior to 01.04.2000, has resulted in consumer contribution being overstated and profit for the year being under stated (Amount has not been ascertained).

- vi) Reference is invited to Significant Accounting Policy No. 8 regarding Valuation of inventories, wherein it has been stated that Inventories are valued at cost on weighted average basis instead of lower of Net Realisable Value or Cost as contemplated in Accounting Standard-2 "Valuation of Inventories". The impact thereof could not be ascertained
- vii) A reference is invited to Note No 14 regarding takeover of the operations of the RESCO and their liquidation
- a) The balances outstanding against the RESCO in the books of the APCPDCL have not been reconciled with those shown in the books of the RESCO on the date of takeover (difference not ascertained).
- b) Though the operations were taken out from 01.12.2004 in respect of Kadiri East and West and from 01.12.2005 in respect of Sanjay RESCO, the transactions relating to these RESCOs were not kept separately, consequently adjustments could not be made on the opening balances of these RESCOs (Extent of adjustments not ascertainable).
- c) The valuation of assets and liabilities of RESCO, as done by the liquidator showed that the assets and liabilities were equal. whereas the valuation done by the Chartered Accountant appointed by this company showed excess of liabilities over assets to the extent of Rs. 83.13 Crores. The company has accepted the valuation of the Chartered Accountants and decided to claim the amount from the Govt of A.P. Pending final decision of Govt of A.P the assets and liabilities have not been brought into accounts. The impact of the above on the Profit & Loss and Assets and Liabilities are not ascertainable.
- viii) Reference is invited to Significant Accounting Policy No 7 A (a) regarding Provision for Pension & Gratuity made on estimated basis at the rate of 24.51% (Previous Year 24.51%) instead of on Actuarial Valuation as on 31.03.2008 in accordance with Accounting Standard -15 "Employee benefits (revised). The impact on the profit is not ascertained
- ix) Reference is invited to Significant Accounting Policy No 9 (c) and Note No.7 A (e) regarding accounting for Bonus and Ex-gratia on Cash basis instead of providing on accrual basis. The impact on the profit is not ascertained
- x) Reference is invited to Note No. 7 (B) wherein it has been stated that, Provision for Leave Encashment has been made on 'estimation basis' instead of ascertaining the liability on actuarial valuation as required under Accounting standard – 15 "Employee benefits (revised).The management while estimating the Leave Encashment did not take into account the elements of (i) increase in number of employees (ii) increase in average monthly pay and allowances per employee (iii) the increase in entitlement of Earned Leave encashment to 300 days from 240 days. The impact of the above on the Profit and loss Account and Balance Sheet could not be ascertained.
- It is difficult to ascertain market value of all items in Stores as on 31.03.2008. Moreover, most of the stocks have been recently acquired and their cost is nearer to market value as on 31.03.2008.
- Pending the decision of Government of Andhra Pradesh, no entries pertaining to take-over of assets and liabilities and adjustments, if any, of RESCOs can be made in the books of accounts of the Company.
- The rate of 24.51% is as per Draft Actuarial Valuation Report of M/s Hewitt Consultants as on 31.3.2006.
- Note under reference is self-explanatory
- Note under reference is self-explanatory

xi) Reference is invited to Note No.18 regarding long-term investments in RESCO's. As the Company has accepted the valuation of the assets and liabilities of the RESCOs which shows excess of liabilities over assets, the investment of Rs. 1.69 Crore in RESCOs Should have been valued at Nil and the diminution in value charged to profit and loss account as contemplated in AS-13 'Investment Accounting'. No adjustment of the diminution in value of investments has resulted in overstating of profit to the extent of Rs. 1.69 Crore and overstatement investment to that extent.

xii) Reference is invited to Note No.23 where in the Company has not recognized either Deferred Tax Liability or Deferred Tax Asset as contemplated in Accounting Standard – 22 "Accounting for Taxes on Income". The impact of the above on the Profit and Loss Account and Balance Sheet has not been ascertained.

xiii) Company neither recognized nor provided for any Impairment of Assets as contemplated in Accounting Standard – 28 "Impairment of Assets" The impact of the above on Profit and Loss Account and Balance Sheet has not been ascertained.

xiv) Reference is invited to the Cash Flow Statement for the year ending 31st March, 2007 which has not been prepared as required under AS-3 "Cash Flow Statement" wherein the Data Migration Account has been classified as Operating Activity. However, we are unable to ascertain the impact of the Data Migration Account on the Cash Flow Statement.

III Our observations/ comments on the accounts are as under:

1. *Reference is invited to Note No.3.1 and paragraph II (i) (a) of our report regarding the adoption of balances as on 1.4.2000 as per the Second Transfer Scheme under A.P. Gazette Notification No 109, dated 29th September 2001. The details of all assets and liabilities are given as block figures under major group heads in the said Gazette Notification. The detailed break-up of the balances have been furnished for our verification. However the balances other than "Fixed Assets", are subject to reconciliation with the balances maintained at various Field units. Further in case of Fixed Assets of Rs 1272.66 Crore as on 1.4.2000 the Company assessed the breakup of the balances and the basis and details of final assessment of the values of assets has not been furnished for our verification. The consequential impact if any, on the balances of fixed assets and provision for depreciation could not be quantified.*

2. *The balances of Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation. Balances under various sub-heads under Current Assets and Current Liabilities are subject to reconciliation and review.*

3. *Reference is invited to Note No.19 regarding the financial misappropriation and unauthorized credit in some of the EROs. In the opinion of the Management, the loss if any, on account of the above*

The adjustment of investments will be made in the books of accounts at the time of adoption of assets and liabilities of RESCOs in the books of the Company.

Since the company has substantial unabsorbed depreciation, it is unlikely to have taxable profit in near future and hence it is not necessary to create Deferred Tax Asset in accordance with AS-22, "Accounting Standard for Taxes on Income" issued by ICAI.

Physical verification of fixed assets has been carried out during the financial year 2007-08. Certain minor discrepancies have been noticed during the physical verification, which will be adjusted based on the detailed report called for from the field offices.

Noted

The opening balances were adopted as notified by the Government of Andhra Pradesh vide G.O.Ms. No.109 dt.29.9.2001. The unit-wise differences identified were transferred to Second Transfer Scheme Variance Account. The differences are under reconciliation.

Noted

The necessary departmental proceedings are in progress.

is not presently quantifiable and no provision has been made. The impact of the above on the Profit & loss Account could not be ascertained.

- | | | |
|-----|---|--|
| 4. | <i>Reference is invited to Note No.8 regarding non-reconciliation of inter-unit account balance of Rs. 30.11 Crore (net) (Debit) (Previous Year Rs. 34.43 Crore (net) (Debit)), is due to data migration in SAP, included in Sundry Receivables from others under Schedule 7. The impact of the same on the revenue is not quantifiable</i> | Data Migration Accounts are in the process of reconciliation |
| 5. | <i>Reference is invited to note No.2 regarding implementation of SAP in a phased manner in the year 2006-07. There were differences in Data migration and an amount of Rs. 20.33 Crore has been shown under Current liabilities and provisions. In the absence of reconciliation we are unable to determine its impact on the Profit and loss account and assets and liabilities. Further the input controls in respect of capturing of data and recording of transactions needs to be reviewed and duly certified by Independent Agency with regards to its adequacy</i> | Data Migration Accounts are in the process of reconciliation |
| 6. | <i>Reference is invited to note No. 11 in respect of accounts with Banks in 58 Units out of 130 Units, Bank reconciliation Statements contain unreconciled balances since 1.4.2000 as on 31.03.2008 and there are unidentified credits in the Bank Account to the extent of Rs. 29.56 Crore and Cheques deposited but not credited by Bank to the tune of Rs. 4.32 Crore which are under reconciliation.</i> | Reconciliation is in progress |
| 7. | <i>Based on the accounting practice for accounting for Leases, it was noted that there is no distinction has been made between Finance Lease and Operating Lease in respect of Leases entered into by APTRANSCO prior to 01.04.2000 and continued and that the Lease payments are debited to the Profit & Loss Account. In the absence of such distinction the impact thereof could not be ascertained.</i> | Noted |
| 8. | <i>Reference is invited to Schedule 7 regarding Remittance in Transit Rs. 65.39 (net) Crore (Previous Year Rs. 43.91 Crore) included in Cash in Transit A/c that is under reconciliation. Pending reconciliation the impact thereof on the financial statements is not quantifiable.</i> | Reconciliation is in progress |
| 9. | <i>Reference is invited to Schedule 7 regarding detailed break- up for recovery/write - off of cost of materials for credit Rs. 29.95 Crore (Previous Year Credit Rs. 30.03 Crore) has not been furnished for our verification. In the absence of details, we are unable to comment on the adequacy of the provision thereof.</i> | Noted |
| 10. | <i>Reference is invited to Note No.25 regarding Savings Fund and Family Benefit Fund, wherein it has been stated that:</i>

<i>(i) Details of balances of Individual members as on 1.4.2000 are not available and hence provision for future liability has not been ascertained.</i>

<i>(ii) Current year payments of principal and interest are charged to the Profit and Loss Account instead of to the Fund and</i>

<i>The impact of the above on the Profit & Loss Account and Balance Sheet could not be ascertained.</i> | Noted |

11. *Reference is invited to Schedule 7 with regard to interest Loans & advances to staff, accounted for after recovery of entire principal, instead of recognizing interest from each installment recovered which consistently followed by the company. The impact thereof on financial statements could not be ascertained.* Noted

12. *Reference is invited to Schedule 7 and Note no 6 showing the receivables as on 31.3.2008 at Rs. 1840.67 Crore. Total debtors as on 31.3.2008 includes amounts in respect of cases filed in the court Rs 198.66 Crore, Revenue Recovery Act Rs. 24.89 Crore, Disconnected/Bills stopped services Rs. 456.31 Crore. From the age-wise analysis provided to us, it was seen that Rs 733.01 Crores were outstanding for more than three years. However the provision existing as on 31.03.2007 was only Rs 305.71 Crores. Reference is also invited to Note (6) regarding Bad Debts written off to the extent of Rs.295.73 Crores and provision made for doubtful debts to the extent of Rs.108.28 Crores during the year 2007-08.* Noted

IV. Further to our above observations/comments, 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 our audit subject to non-availability of detailed individual balances of certain assets and liabilities as referred in Paragraph III (1) above for our verification.
- b. In our opinion, the company has kept proper books of account as required by law in so far as it appears from our examination of such books;
- c. The Balance Sheet and Profit and loss Account dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards (AS) referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956 except to the extent of the deviations expressed in paragraph II above in so far as they relate to AS-2 on Valuation of Inventories, AS-3 on Cash Flow Statements, AS-10 on Accounting for Fixed Assets, AS-12 on Accounting for Government Grants, AS-13 Investment Accounting, AS-15 on Employee Benefits (revised), AS-19 Leases, AS-22 Accounting for taxes on Income AS-28 Impairment of Assets, AS-29 Provisions Contingent Liabilities and Contingent Assets.
- 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. Reference is invited to Note No.31 regarding the revision of the accounts approved by the Board on 28th July, 2008.
- g. In our opinion and to the best of our information and according to the explanations given to us, subject to adjustments which may be required in respect of matters specified in paragraph II & III above, the said accounts read with Notes forming part of accounts and Significant Accounting Policies (Schedule 18(I) and Schedule 18(II)), and further read with our observations in Annexure referred to in

paragraph-I above, 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 at 31st March, 2008;
- ii) In so far as it relates to the Profit and loss Account, of the *Profit* of the company for the year ended on that date; and
- iii) In the case of Cash flow statement, of the cash flows for the year ended on that date.

For M. BHASKARA RAO & CO.
CHARTERED ACCOUNTANTS

Sd/-
V. RAGHUNANDAN
Partner
Membership No. 26255

Date : 23.09.2008
Place: Hyderabad

For and on behalf of the Board

Sd/-
G SAI PRASAD
Chairman & Managing Director

Date: 29.09.2008
Place: Hyderabad

Annexure to the Auditors' Report

(Referred to in paragraph 2 of our report of even date)

- | | | |
|------|--|--|
| i) | (a) The Company has maintained Fixed Assets register showing circle wise particulars. <i>However, detailed situation of Fixed Assets is not stated.</i> | Cost Center-wise situation of Fixed Assets has been stated in the Register. |
| | (b) Reference is invited to Note No 4 wherein it has been stated that it is the policy of the management to conduct the physical verification of the assets once in three years. Accordingly, physical verification of fixed assets was carried out during the year but the reports were not available to us for verification. Considering the size of the organization in our opinion, physical verification may be carried out at shorter interval. <i>According to the information provided to us there were minor discrepancies noticed as per the physical verification conducted by the management during the Financial Year 2004-05 which are yet to be adjusted.</i> | Certain minor discrepancies have been noticed during the physical verification, which will be adjusted based on the detailed report called for from the field offices. |
| | (c) There was no substantial disposal of fixed assets during the current year. | Noted |
| ii) | (a) The management has conducted the physical verification of stores, spare parts, components etc. at reasonable intervals. | Informative |
| | (b) In our opinion, the procedure for physical verification of stores, spare parts, components etc. followed by the management is adequate and reasonable in relation to the size of the company and the nature of its business. | Informative |
| | (c) The company is maintaining proper records for stores, spare parts, components etc. and as informed to us, there were no material discrepancies noticed on physical verification except for a few instances which have been properly dealt with in the books of account. | Informative |
| iii) | The company has not granted or taken loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (b), (c), (d), (e), (f) and (g) are not applicable. | Noted |
| iv) | According to the information and explanation given to us, the Internal Control Systems is commensurate with size of the company and nature of its business for purchase of Inventory, Fixed Assets and sale of Services. <i>However the Internal control systems needs to be strengthened with regard to SAP implementation in reconciliation of accounts, remittance in transit and inter unit accounts, accounting of capital and revenue work orders and stores accounting.</i> | The observations of audit are noted for further strengthening of the system |
| v) | According to the information and explanation provided by the management, there were no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly reporting under this clause is not applicable. | Informative |
| vi) | The company has not accepted deposits from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed there under. | Noted |

- vii) The company has an Internal Audit System, covering all circles including corporate office; *In our opinion the scope and coverage needs to be enlarged keeping in view the size of the organization and nature of its business and the new EDP environment with regard to SAP implementation.* The observations of audit are noted for further streamlining of procedures as suggested.
Informative
Informative
- viii) Maintenance of cost records has been prescribed by the Central Government under sec.209 (1) (d) of the Companies Act, 1956 with effect from 1.4.2002. As per the Information and explanations given by the Management, cost information is compiled annually as per cost Accounting Record [Electricity Industry, 2001]. Informative
- ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investors Education and Protection Fund, Income-Tax, Sales-Tax, Wealth Tax, and Service Tax, Custom Duty, Excise duty, Cess and any other statutory dues applicable to it with the appropriate authorities. Informative
- (b) *According to the information and explanations given to us, the following are the details of disputed statutory dues as at the year-end:*

Sl. No.	Name of the Statute	Nature of Dues	Amount (Rs. in Crores)	Period to which the amount relates	Forum where dispute is pending
1.	A.P.Tax on entry of goods in local areas Act, 2001	Entry Tax	33.25	2002-2006	Honorable Supreme Court
2.	APGST Act	Sales Tax	1.34	2001-2006	Sales Tax Appellate Tribunal

- x) The accumulated losses at the end of the financial year are less than fifty percent of its net worth. The company does not have cash losses during the current financial year and in the immediately preceding financial year. Informative
- xi) According to the information and explanations given by the management, we are of the opinion that the company has not defaulted in payment of dues to financial institutions and banks. The company does not have any borrowings by way of debentures. Informative
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. However in case of staff housing loans the company has obtained required mortgage of house property. Informative
- xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies. Informative

- | | |
|--|-------------|
| xiv) In our opinion and according to the information and explanation given to us, the company is not a dealer or trader in securities. | Informative |
| xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. | Informative |
| xvi) As per information and explanation provided to us, we are of the opinion that the term loans are applied for the purpose for which the loans were obtained | Informative |
| xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis, prima facie, have not been used for long-term investment. | Informative |
| xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 | Informative |
| xix) The company did not have any outstanding debentures during the year. | Informative |
| xx) The company has not raised any money through public issue during the year. | Informative |
| xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year. | Informative |

For M. BHASKARA RAO & CO.
CHARTERED ACCOUNTANTS

Sd/-
V. RAGHUNANDAN
Partner
Membership No. 26255

Date : 23.09.2008
Place: Hyderabad

For and on behalf of the Board

Sd/-
G SAI PRASAD
Chairman & Managing Director

Date: 29.09.2008
Place: Hyderabad

Annexure B to the Directors Report

C&AG REPORT:

No. AG(C&RA)/EBRA-III/2008-09/ 69

Dated: 29.09.2008

To
**The Chairman and Managing Director,
Central Power Distribution Company of Andhra Pradesh Limited,
Hyderabad.**

Sir,

Sub: Comments on the revised accounts of Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad for the year ended 31 March 2008

I am to forward herewith Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act 1956 on the revised accounts of your company for the year ended 31 March 2008 for necessary action.

2. The date of placing of Comments along with Annual Accounts and Auditors' Report before the Shareholders of the Company may be intimated and a copy of the proceedings of the meeting furnished.
3. The date of forwarding the Annual Report and the Annual Accounts of the Company together with the Auditors' Report and Comments of the Comptroller and Auditor General of India to the State Government for being placed before the Legislature may also be communicated.
4. Ten copies of the Annual Report for the year 2007-08 may be furnished in due course.

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

Yours faithfully,

Sd/-

Dy. Accountant General (Commercial)

Encl: As above.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE REVISED ACCOUNTS OF CENTRAL POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, HYDERABAD FOR THE YEAR ENDED 31 MARCH 2008

The preparation of financial statements of Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies' Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies' Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 23 September 2008.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619 (3)(b) of the Companies Act, 1956 of the financial statements of Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad for the year ended 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. The financial statements of the Company have been revised by the management to give effect to some of my audit observations highlighted during supplementary audit as indicated in the Note No. 31 of the Notes forming part of Accounts (Schedule No.18) and modification/additional disclosure made vide Note Nos. 5,6,10 & 17. In addition, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

	COMMENT	COMPANY'S REPLY
1.	<p>A. Comments on Profitability</p> <p>Balance Sheet Sources of Funds Shareholders' Funds Reserves and Surplus (Schedule-2) Consumers' Contribution; Subsidies and Grants/ Donations towards Capital Assets: Rs. 883.17 crore</p> <p>In 2006-07, the Company in compliance with Accounting Policy No.5 withdrew the depreciation amounting to Rs. 152.47 crore for the period up to 2005-06 in respect of assets created out of consumer contribution etc. While doing so, the Company withdrew depreciation (Rs.59.04 crore) in respect of assets commissioned during the years 2000 -01 to 2005-06, for the years of commissioning for which no depreciation was provided as per its Accounting Policy on depreciation then in force. This resulted in understatement of "Consumers' Contribution; Subsidies and Grants/Donations towards Capital Assets", "Restoration of Consumer Contribution towards Cost of Fixed Assets on account of excess withdrawal during 2006-07" and overstatement of "Profit Before Tax" by Rs. 59.04 crore.</p>	<p>The Company has changed the accounting policy from Financial Year 2006-07 regarding depreciation, to charge depreciation from the date of capitalization, from the erstwhile procedure of charging depreciation from the year following capitalization.</p> <p>The same policy of charging depreciation from the year of capitalization was retrospectively applied during withdrawal of consumer contribution relating to past years.</p> <p>The amount that is to be withdrawn and the number of years over which it will be withdrawn is same in both the scenarios.</p> <p>Since the Company has started withdrawal of consumer contribution from the year of capitalization the period of withdrawal ends one year before the year it would have ended if Company had followed the erstwhile policy of charging depreciation from the following year of capitalization.</p> <p>The assets created out of contribution made by the consumers are commissioned throughout the year. Further, they are not of large value. Hence it is difficult to ascertain the date of commissioning of these assets for calculating the depreciation. Hence a fairly accurate method has been adopted. However, depreciation provided on these assets will not exceed the cost.</p>

	COMMENT	COMPANY'S REPLY
2.	<p>Application of Funds Fixed Assets Capital Work-in-Progress (Schedule -5): Rs. 611.26 crore</p> <p>The above includes Rs.12.93 crore being the value of different capital works completed and put to use during the year 2007-08 in Anantapur, Ranga Reddy North, Ranga Reddy South, Kurnool, Hyderabad Central and Nalgonda Circles. Non-capitalisation of the same has resulted in over-statement of "Capital Work-in-Progress" and understatement of "Fixed Assets-Gross Block-Additions during the year" by Rs.12.93 crore.</p> <p>This has also resulted in understatement of "Depreciation" for the year by Rs.42 lakh and overstatement of "Profit Before Tax" by Rs.42 lakh.</p>	<p>It is to submit that although a Sub Station gets charged only with one Power Transformer (PTR), few VCBs, lighting, etc., which account for only 20% cost of a Sub Station, capitalization of Sub Stations, which forms major part of the Capital Work-in-Progress, is done only on completion of all related works viz.,PTR Augmentation, VCBs, potential transformers, Control Room, brick work, fencing etc.,</p> <p>Further, it is to submit that capitalization of Capital Work-in-Progress is based on Work Completion Reports received from field units.</p> <p>Instructions have been issued to the field engineers for timely submission of Work Completion Certificates. The capitalization of said assets will be taken up during the FY 2008-09.</p>
3.	<p>Profit and Loss Account Income Gross Revenue from Sale of Power (Schedule-9) HT Supply Cat.I Industrial: Rs. 2452.95 crore</p> <p>The above is understated by Rs.56 lakh due to non-accountal of the Demand raised (17.01.2008) on M/s. Mahaveer Ferro Alloys towards annual load factor charges for the period May 2005 to August 2005. This has resulted in understatement of "Profit before Tax" and "Sundry Debtors- Other Debts- Considered Good-Others" by a similar amount.</p>	<p>It is to submit that the Superintending Engineer (SE), Operation Circle, Mahaboobnagar had issued demand notice to HT Consumer No. MBN630 M/s Mahaveer Ferro Alloys Ltd for Rs. 56 lakh towards 85% Annual Load Factor Shortfall amount vide letter dated 17.01.2008 requesting the consumer to arrange the payment.</p> <p>The consumer disputed the demand and represented to Corporate Office for Waiver /Revision of the same. The subject matter was under consideration at Corporate Office. Hence, the demand was not raised by the SE, Operation Circle, Mahaboobnagar during the year 2007-08.</p> <p>On review, it was decided to raise the demand in the month of April 2008 under prior period account.</p>
4.	<p>B. Comments on Auditors' Report</p> <p>The Statutory Auditors revised their Audit Report dated 15.09.2008 on Revised Accounts of the Company, vide Report dated 23.09.2008, suitably carrying out modification to the qualifications vide Paras No. II(x) and III(12), based on Provisional Comments of Comptroller and Auditor General of India issued on revised accounts of the Company and Auditors' Report thereon. This fact has not been disclosed by the Statutory Auditors in their Revised Audit Report dated 23.09.2008.</p> <p style="text-align: center;">For and on behalf of the Comptroller & Auditor General of India</p> <p style="text-align: center;">Sd/- P. J. MATHEW Accountant General (C&RA)</p> <p>Place: Hyderabad Date: 29.09.2008</p>	<p>Noted</p> <p style="text-align: center;">For and on behalf of the Board of Directors</p> <p style="text-align: center;">Sd/- G SAI PRASAD Chairman & Managing Director</p> <p>Place: Hyderabad Date: 29.09.2008</p>

AUDITORS' REPORT

To
The Members of
Central Power Distribution Company of Andhra Pradesh Ltd.
Hyderabad.

We have audited the attached revised Balance Sheet of **Central Power Distribution Company of Andhra Pradesh Limited**, as at 31st March 2008 and also the Profit and loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- I. As required by the Companies (Auditor's Report) Order, 2003 as amended by the companies (Auditors Report) Order (Amendment), 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our observations in the annexure referred to in paragraph I above, attention is invited to the following items of Notes to Accounts in Schedule 18(II) and Significant Accounting Policies in Schedule 18(I):
 - i) (a) Reference is invited to Note No.3.1 regarding *transfer of assets and liabilities under "Second Transfer Scheme" from APTRANSCO to Distribution Companies on 1.4.2000 and transfer of differences identified between the books available in the field units and the balances transferred as per the Second Transfer Scheme to the 'Second Transfer Scheme Variance Account' under 'Reserve and Reserve Funds' Rs. 29.80 Crores (Net). Pending reconciliation of these differences, we are unable to determine the impact of these on the Profit and Loss Account and Assets and Liabilities of the Company.*
 - (b) Power Purchase Agreements: *The Government of Andhra Pradesh announced Third Transfer Scheme, in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred from APTRANSCO to the four Distribution Companies in specified ratio. This scheme was effective from 9th June 2005. In order to facilitate purchase and trading of power, the Government constituted one apex committee and two sub committees. These committees intimate the distribution companies their share of cost of purchase of power, expenses incurred and sale of power to regional and other electricity boards/companies, on a monthly basis.*

The monthly statements of purchase, expense and sale as intimated by the committee are incorporated in the books of the Company and have been accepted by us. It may be mentioned that these committees are not legal entities and the figures are yet to be certified by the independent agency.

- c) Reference is invited to Note No 3.2 (a) and Note No 28 wherein it has been stated that by virtue of Third Transfer Scheme all rights and obligations existing as on 09.06.2005 in respect of Bulk supply Undertaking shall devolve upon the company. The contingent liability in respect of the same could not be ascertained.
- ii) Reference is invited to Significant Accounting Policy No.4 (a) regarding Capitalization of employee cost and Administration & General Expenses during the year of Rs.41.52 Crores (Previous Year Rs.25.68 Crores) done at 10% of the Capital Works, instead of determining expenses attributable to the specific asset in line with the Accounting Standard-10 "Accounting for Fixed Assets". The impact thereof could not be ascertained.
- iii) Reference is invited to Significant Accounting Policy No.6 and Note No 4.4 regarding Provision for Depreciation on Fixed Assets which is charged under SLM method at the rates prescribed by the Central Government vide notification No. S.O.266 (E) dated 29th March, 1994 issued under the Electricity (Supply) Act, 1948. However, in respect of Computer, Information Technology Equipments the rate of depreciation prescribed under the Ministry Of Power is lower than rates prescribed under Schedule XIV of the Companies Act, 1956 which amounts to Rs. 0.36 Crore and the profit has been over stated to that extent
- iv) Reference is invited to Significant Accounting Policy No 2(a) and Note no.5 regarding recognition of unbilled revenue on estimated basis, as against billed revenue has resulted in under - estimation of revenue by Rs.18.13 Crore.
- v) Reference is invited to Significant Accounting Policy No 5 and invited to Note no. 4.3 regarding Consumer contributed Assets and adjustment of depreciation on Assets created out of consumer contribution. The adjustment for depreciation to total assets was made on the basis of proportionate value of the assets built out of consumer contribution instead of calculating depreciation on identifiable individual contribution to assets. In continuation thereto this exercise has not been applied on the closing balances in respect of consumer - contributed assets existing prior to 01.04.2000. Consequent to non - withdrawal of depreciation attributable to consumer contribution assets prior to 01.04.2000, has resulted in consumer contribution being overstated and profit for the year being under stated (Amount has not been ascertained).
- vi) Reference is invited to Significant Accounting Policy No. 8 regarding Valuation of inventories, wherein it has been stated that Inventories are valued at cost on weighted average basis instead of lower of Net Realisable Value or Cost as contemplated in Accounting Standard-2 "Valuation of Inventories". The impact thereof could not be ascertained
- vii) A reference is invited to Note No 14 regarding takeover of the operations of the RESCO and their liquidation
- a) The balances outstanding against the RESCO in the books of the APCPDCL have not been reconciled with those shown in the books of the RESCO on the date of takeover (difference not ascertained).
- b) Though the operations were taken out from 01.12.2004 in respect of Kadiri East and West and from 01.12.2005 in respect of Sanjay RESCO, the transactions relating to these RESCOs were not kept separately, consequently adjustments could not be made on the opening balances of these RESCOs (Extent of adjustments not ascertainable).
- c) The valuation of assets and liabilities of RESCO, as done by the liquidator showed that the assets and liabilities were equal, whereas the valuation done by the Chartered Accountant appointed by this company showed excess of liabilities over assets to the extent of Rs. 83.13 Crores. The company has accepted the valuation of the Chartered Accountants and decided

to claim the amount from the Govt of A.P. Pending final decision of Govt of A.P the assets and liabilities have not been brought into accounts. The impact of the above on the Profit & Loss and Assets and Liabilities are not ascertainable.

- viii) Reference is invited to Significant Accounting Policy No 7 A (a) regarding Provision for Pension & Gratuity made on estimated basis at the rate of 24.51% (Previous Year 24.51%) instead of on Actuarial Valuation as on 31.03.2008 in accordance with Accounting Standard -15 "Employee benefits (revised)". The impact on the profit is not ascertained*
- ix) Reference is invited to Significant Accounting Policy No 9 (c) and Note No.7 A (e) regarding accounting for Bonus and Ex-gratia on Cash basis instead of providing on accrual basis. The impact on the profit is not ascertained*
- x) Reference is invited to Significant Accounting Policy No 7 (B) wherein it has been stated that, Provision for Leave Encashment has been made on 'estimation basis' instead of ascertaining the liability on actuarial valuation as required under Accounting standard – 15 "Employee benefits (revised). The management while estimating the Leave Encashment did not take into account the elements of (i) increase in number of employees (ii) increase in average monthly pay and allowances per employee (iii) the increase in entitlement of Earned Leave encashment to 300 days from 240 days. The impact of the above on the Profit and loss Account and Balance Sheet could not be ascertained.*
- xi) Reference is invited to Note No.18 regarding long-term investments in RESCO's. As the Company has accepted the valuation of the assets and liabilities of the RESCOs which shows excess of liabilities over assets, the investment of Rs. 1.69 Crore in RESCOs Should have been valued at Nil and the diminution in value charged to profit and loss account as contemplated in AS-13 'Investment Accounting'. No adjustment of the diminution in value of investments has resulted in overstating of profit to the extent of Rs. 1.69 Crore and overstatement investment to that extent.*
- xii) Reference is invited to Note No.23 where in the Company has not recognized either Deferred Tax Liability or Deferred Tax Asset as contemplated in Accounting Standard – 22 "Accounting for Taxes on Income". The impact of the above on the Profit and Loss Account and Balance Sheet has not been ascertained.*
- xiii) Company neither recognized nor provided for any Impairment of Assets as contemplated in Accounting Standard – 28" Impairment of Assets" The impact of the above on Profit and Loss Account and Balance Sheet has not been ascertained.*
- xiv) Reference is invited to the Cash Flow Statement for the year ending 31st March, 2008 which has not been prepared as required under AS-3 "Cash Flow Statement" wherein the Data Migration Account has been classified as Operating Activity. However, we are unable to ascertain the impact of the Data Migration Account on the Cash Flow Statement.*

III Our observations/ comments on the accounts are as under:

- 1) Reference is invited to Note No.3.1 and paragraph II (i) (a) of our report regarding the adoption of balances as on 1.4.2000 as per the Second Transfer Scheme under A.P. Gazette Notification No 109, dated 29th September 2001. The details of all assets and liabilities are given as block figures under major group heads in the said Gazette Notification. The detailed break-up of the balances have been furnished for our verification. However the balances other than "Fixed Assets", are subject to reconciliation with the balances maintained at various Field units. Further*

in case of Fixed Assets of Rs 1272.66 Crore as on 1.4.2000 the Company assessed the breakup of the balances and the basis and details of final assessment of the values of assets has not been furnished for our verification. The consequential impact if any, on the balances of fixed assets and provision for depreciation could not be quantified.

- 2) *The balances of Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation. Balances under various sub-heads under Current Assets and Current Liabilities are subject to reconciliation and review.*
- 3) *Reference is invited to Note No.19 regarding the financial misappropriation and unauthorized credit in some of the EROs. In the opinion of the Management, the loss if any, on account of the above is not presently quantifiable and no provision has been made. The impact of the above on the Profit & loss Account could not be ascertained*
- 4) *Reference is invited to Note No.8 regarding non-reconciliation of inter-unit account balance of Rs. 30.11 Crore (net) (Debit) (Previous Year Rs. 34.43 Crore (net) (Debit)), is due to data migration in SAP, included in Sundry Receivables from others under Schedule 7. The impact of the same on the revenue is not quantifiable*
- 5) *Reference is invited to note No.2 regarding implementation of SAP in a phased manner in the year 2006-07. There were differences in Data migration and an amount of Rs. 20.33 Crore has been shown under Current liabilities and provisions. In the absence of reconciliation we are unable to determine its impact on the Profit and loss account and assets and liabilities. Further the input controls in respect of capturing of data and recording of transactions needs to be reviewed and duly certified by Independent Agency with regards to its adequacy*
- 6) *Reference is invited to note No. 11 in respect of accounts with Banks in 58 Units out of 130 Units, Bank reconciliation Statements contain unreconciled balances since 1.4.2000 as on 31.03.2008 and there are unidentified credits in the Bank Account to the extent of Rs. 29.56 Crore and Cheques deposited but not credited by Bank to the tune of Rs. 4.32 Crore which are under reconciliation.*
- 7) *Based on the accounting practice for accounting for Leases, it was noted that there is no distinction has been made between Finance Lease and Operating Lease in respect of Leases entered into by APTRANSCO prior to 01.04.2000 and continued and that the Lease payments are debited to the Profit & Loss Account. In the absence of such distinction the impact thereof could not be ascertained.*
- 8) *Reference is invited to Schedule 7 regarding Remittance in Transit Rs. 65.39 (net) Crore (Previous Year Rs. 43.91 Crore) included in Cash in Transit A/c that is under reconciliation. Pending reconciliation the impact thereof on the financial statements is not quantifiable*
- 9) *Reference is invited to Schedule 7 regarding detailed break- up for recovery/write - off of cost of materials for credit Rs. 29.95 Crore (Previous Year Credit Rs. 30.03 Crore) has not been furnished for our verification. In the absence of details, we are unable to comment on the adequacy of the provision thereof.*
- 10) *Reference is invited to Note No.25 regarding Savings Fund and Family Benefit Fund, wherein it has been stated that:*

- i) Details of balances of Individual members as on 1.4.2000 are not available and hence provision for future liability has not been ascertained.*
- ii) Current year payments of principal and interest are charged to the Profit and Loss Account instead of to the Fund and*

The impact of the above on the Profit & Loss Account and Balance Sheet could not be ascertained

- 11) Reference is invited to Schedule 7 with regard to interest Loans & advances to staff, accounted for after recovery of entire principal, instead of recognizing interest from each installment recovered which consistently followed by the company. The impact thereof on financial statements could not be ascertained.*
- 12) Reference is invited to Schedule 7 and Note no 6 showing the receivables as on 31.3.2008 at Rs. 1840.67 Crore. Total debtors as on 31.3.2008 includes amounts in respect of cases filed in the court Rs 198.66 Crore, Revenue Recovery Act Rs. 24.89 Crore, Disconnected/Bills stopped services Rs. 456.31 Crores. From the age-wise analysis provided to us, it was seen that Rs 733.01 Crores were outstanding for more than three years. However the provision existing as on 31.03.2007 was only Rs 305.71 Crores. Reference is also invited to Note 6 regarding Bad Debts written off to the extent of Rs.295.73 Crores and provision made for doubtful debts to the extent of Rs.108.28 Crores during the year 2007-08.*

IV. Further to our above observations/comments, 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 our audit subject to non-availability of detailed individual balances of certain assets and liabilities as referred in Paragraph III (1) above for our verification.
- b. In our opinion, the company has kept proper books of account as required by law in so far as it appears from our examination of such books;
- c. The Balance Sheet and Profit and loss Account dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards (AS) referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956 except to the extent of the deviations expressed in paragraph II above in so far as they relate to AS-2 on Valuation of Inventories, AS-3 on Cash Flow Statements, AS-10 on Accounting for Fixed Assets, AS-12 on Accounting for Government Grants, AS-13 Investment Accounting, AS-15 on Employee Benefits (revised), AS-19 Leases, AS-22 Accounting for taxes on Income, AS-28 Impairment of Assets, AS-29 Provisions Contingent Liabilities and Contingent Assets.
- 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. Reference is invited to Note No.31 regarding the revision of the accounts approved by the Board on 28th July, 2008.
- g. In our opinion and to the best of our information and according to the explanations given to us, subject to adjustments which may be required in respect of matters specified in paragraph II & III above, the said accounts read with Notes forming part of accounts and Significant Accounting Policies (Schedule 18(I) and Schedule 18(II)), and further read with our observations in Annexure referred to in paragraph-

I above, 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 at 31st March, 2008;
- ii) In so far as it relates to the Profit and loss Account, of the *Profit* of the company for the year ended on that date; and
- iii) In the case of Cash flow statement, of the cash flows for the year ended on that date.

Date: 23.09.2008
Place: Hyderabad

For M. BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
(V. RAGHUNANDAN)
Partner
Membership No: 26255

ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 2 of our report of even date)

- i) (a) The Company has maintained Fixed Assets register showing circle wise particulars. *However, detailed situation of Fixed Assets is not stated.*
- (b) Reference is invited to Note No 4 wherein it has been stated that it is the policy of the management to conduct the physical verification of the assets once in three years. Accordingly, physical verification of fixed assets was carried out during the year but the reports were not available to us for verification. Considering the size of the organization in our opinion, physical verification may be carried out at shorter interval. *According to the information provided to us there were minor discrepancies noticed as per the physical verification conducted by the management during the Financial Year 2004-05 which are yet to be adjusted.*
- (c) There was no substantial disposal of fixed assets during the current year.
- ii) (a) The management has conducted the physical verification of stores, spare parts, components etc. at reasonable intervals.
- (b) In our opinion, the procedure for physical verification of stores, spare parts, components etc. followed by the management is adequate and reasonable in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records for stores, spare parts, components etc. and as informed to us, there were no material discrepancies noticed on physical verification except for a few instances which have been properly dealt with in the books of account.
- iii) The company has not granted or taken loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (b), (c), (d), (e), (f) and (g) are not applicable.
- iv) According to the information and explanation given to us, the Internal Control Systems is commensurate with size of the company and nature of its business for purchase of Inventory, Fixed Assets and sale of Services. *However the Internal control systems needs to be strengthened with regard to SAP implementation in reconciliation of accounts, remittance in transit and inter unit accounts, accounting of capital and revenue work orders and stores accounting.*
- v) According to the information and explanation provided by the management, there were no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly reporting under this clause is not applicable.
- vi) The company has not accepted deposits from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed there under.
- vii) The company has an Internal Audit System, covering all circles including *corporate office; In our opinion the scope and coverage needs to be enlarged keeping in view the size of the organization and nature of its business and the new EDP environment with regard to SAP implementation*
- viii) Maintenance of cost records has been prescribed by the Central Government under sec 209 (1) (d) of the Companies Act, 1956 with effect from 1.4.2002. As per the Information and explanations given by the Management, cost information is compiled annually as per cost Accounting Record [Electricity Industry, 2001].
- ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investors Education and Protection Fund, Income-Tax, Sales-Tax, Wealth Tax, and Service Tax, Custom Duty, Excise duty, Cess and any other statutory dues applicable to it with the appropriate authorities.

(b) According to the information and explanations given to us, the following are the details of disputed statutory dues as at the year-end:

<i>Sl. No.</i>	<i>Name of the Statute</i>	<i>Nature of Dues</i>	<i>Amount (Rs in Crores)</i>	<i>Period to which the amount relates</i>	<i>Forum where dispute is pending</i>
1.	<i>A.P.Tax on entry of goods in local areas Act, 2001</i>	<i>Entry Tax</i>	33.25	2002-2006	<i>Honorable Supreme Court</i>
2.	<i>APGST Act</i>	<i>Sales Tax</i>	1.34	2001-2006	<i>Sales Tax Appellate Tribunal</i>

- x) The accumulated losses at the end of the financial year are less than fifty percent of its net worth. The company does not have cash losses during the current financial year and in the immediately preceding financial year.
- xi) According to the information and explanations given by the management, we are of the opinion that the company has not defaulted in payment of dues to financial institutions and banks. The company does not have any borrowings by way of debentures.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. However in case of staff housing loans the company has obtained required mortgage of house property
- xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies.
- xiv) In our opinion and according to the information and explanation given to us, the company is not a dealer or trader in securities
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) As per information and explanation provided to us, we are of the opinion that the term loans are applied for the purpose for which the loans were obtained
- xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis, prima facie, have not been used for long-term investment.
- xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956
- xix) The company did not have any outstanding debentures during the year.
- xx) The company has not raised any money through public issue during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Date: 23.09.2008
Place: Hyderabad

For M. BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
(V. RAGHUNANDAN)
Partner
Membership No: 26255



CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.

BALANCE SHEET AS AT 31st MARCH, 2008

31.3.2008 నాటి ఆస్తి అప్పుల పట్టిక

Amount in Rs.

Particulars	Schedule	As at 31.3.2008	As at 31.3.2007
వివరములు	అనుసూచిక	31.3.2008 నాటికి	31.3.2007 నాటికి
SOURCES OF FUNDS			
నిధుల వనరులు			
(1) Shareholders' Funds			
వాటాదారుల నిధి			
(a) Share Capital	1	7,284,796,090	7,284,796,090
వాటా మూలధనము			
(b) Reserves and Surplus	2	7,135,453,724	5,145,287,548
నిధి మరియు మిగులు			
(2) Loan Funds			
అప్పుల నిధి			
(a) Secured Loans		12,006,969,666	7,164,148,352
హామీ రుణములు			
(b) Unsecured Loans		2,492,233,098	5,260,537,382
హామీ లేని రుణములు			
Total		28,919,452,578	24,854,769,372

APPLICATION OF FUNDS

నిధుల వినియోగము

(1) Fixed Assets

స్థిర ఆస్తులు

(a) Gross Block

4

38,077,405,806

31,709,800,924

స్థూల మూల్యము

(b) Less: Accumulated Depreciation

17,773,595,103

15,436,600,236

తరుగుదల నిధికి కేటాయింపుల మొత్తము

(c) Net Block

20,303,810,703

16,273,200,688

నికర మూల్యము

(d) Capital Work-in-Progress

5

6,203,850,905

6,501,941,788

జరుగుచున్న పనులపై పెట్టుబడి

(2) Investments

6

241,245,306

225,245,306

పెట్టుబడులు

(3) Current Assets, Loans & Advances

7

చరాస్తులు, అప్పులు మరియు బయానాలు

(a) Interest accrued on Investments

8,207,603

6,640,419

పెట్టుబడులపై ఆర్జిత వడ్డీ

(b) Inventories సరుకు నిల్వ	1,086,992,969	1,390,876,334
(c) Sundry Debtors వివిధ ఋణగ్రస్తులు	11,309,524,918	13,879,926,965
(d) Other Receivables ఇతర రాబడులు	13,976,627,295	11,996,759,942
(e) Cash & Bank Balances నగదు మరియు బ్యాంకు నిల్వలు	1,592,524,258	1,247,341,098
(f) Loans & Advances అప్పులు మరియు బయోనాలు	440,268,725	290,477,857
	28,414,145,768	28,812,022,615
Less: Current Liabilities and Provisions	8	
ప్రస్తుత అప్పులు మరియు కేటాయింపులు		
(a) Liabilities అప్పులు	24,717,103,885	26,082,422,831
(b) Provisions కేటాయింపులు	1,323,238,135	666,508,535
(c) Data Migration Accounts డాటా మైగ్రేషన్ ఖాతాలు	203,258,084	208,709,658
	26,243,600,104	26,957,641,025
Net Current Assets	2,170,545,664	1,854,381,590
నికర చరాస్తులు		
Total	28,919,452,578	24,854,769,372

Significant Accounting Policies and
Notes on Accounts

18

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet

For and on behalf of the Company

As per our report of even date

For M.BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
G.SAI PRASAD
Chairman & Managing Director

Sd/-
P.RAJAGOPAL REDDY
Director (Finance & RA)

Sd/-
VRAGHUNANDAN
Partner
M.No.26255
Date : 15.09.2008
Place: Hyderabad

Sd/-
SYED BILAL BASHA
Chief General Manager(Finance)

Sd/-
K.SUJATHA
Company Secretary



CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

2007-08 నాటి లాభ/నష్టాల ఖాతా

Amount in Rs.

Particulars వివరములు	Schedule అనుసూచిక	Year Ended 31st March 2008 31. 3. 2008 నాటికి	Year Ended 31st March 2007 31. 3. 2007 నాటికి
INCOME:			
ఆదాయము			
Gross Revenue from Sale of Power	9	59,604,955,788	50,069,998,095
విద్యుత్తు అమ్మకములనుండి స్థూల ఆదాయము			
Less: Electricity Duty		888,556,389	695,588,014
తగ్గింపు: విద్యుత్తు సుంకము			
Net Revenue from Sale of Power		58,716,399,399	49,374,410,080
విద్యుత్తు అమ్మకము నుండి వచ్చిన నికర ఆదాయము			
Revenue Subsidies and Grants	10	11,080,000,000	4,986,520,000
ప్రభుత్వ సహాయములు మరియు గ్రాంట్లు			
Other Income	11	4,253,757,845	2,619,934,608
ఇతర ఆదాయము			
Total Income		74,050,157,244	56,980,864,688
మొత్తము ఆదాయము			
EXPENDITURE:			
వ్యయము			
Purchase of Power	12	57,975,856,269	49,359,720,298
విద్యుత్తు కొనుగోలు			
Employees Cost	13	3,887,006,333	3,076,392,760
ఉద్యోగుల జీతభత్యాలు			
Administration and General Expenses	14	1,634,036,347	1,488,316,690
పరిపాలన మరియు సామాన్య వ్యయములు			
Other Expenses	15	6,987,642,817	1,708,416,557
ఇతర వ్యయములు			
Depreciation		2,336,994,867	1,987,579,291
తరుగుదల			
Interest and Finance charges	16	1,217,492,707	1,038,608,665
వడ్డీ మరియు ఆర్థిక వ్యయములు			
Total Expenditure		74,039,029,340	58,659,034,261
మొత్తము వ్యయము			

Net Profit / (Loss) before Consumer**Contribution withdrawal and prior period items**

నికర లాభము/నష్టము (వినియోగదారుల విరాళము నుండి ఉపసంహరణకు మరియు వెనుకటి సంవత్సరముల పద్దులకు ముందు)

11,127,904 (1,678,169,573)

Withdrawal from Consumer Contribution towards Cost of Fixed Assets (Refer to Note 4.3)

- 1,524,655,405

స్థిర ఆస్తుల కొరకు వినియోగదారుల విరాళములనుండి ఉపసంహరణ

Net Prior Period Credits 17 127,976,085 279,498,111

వెనుకటి సంవత్సరపు నికర జమలు

Profit before Tax 139,103,989 125,983,943

పన్నుకు ముందు లాభము

Less: Provision for Taxation

తగ్గింపు: ఆదాయపు పన్ను కేటాయింపు

a) Income Tax - MAT 12,806,731 8,206,053

ఆదాయపు పన్ను - మ్యాట్

b) Fringe Benefit Tax 12,739,957 11,329,458

ఫ్రింజ్ బెనిఫిట్ పన్ను

Profit after Tax 113,557,301 106,448,432

పన్ను తరువాత లాభము

Balance of Loss brought over from previous year (2,355,627,321) (2,462,075,753)

వెనుకటి సంవత్సరము నుండి తీసుకురాబడిన నష్టము నిల్వ

Balance carried to Balance Sheet (2,242,070,020) (2,355,627,321)

ఆస్తి అప్పుల పట్టికకు బదిలీ చేసిన నిల్వ

Significant Accounting Policies and

Notes on Accounts

18

The Schedules referred to above and the notes thereon form an integral part of the Profit & Loss Account

For and on behalf of the Company

As per our report of even date

For M.BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
G.SAI PRASAD
Chairman & Managing Director

Sd/-
PRAJAGOPAL REDDY
Director (Finance & RA)

Sd/-
VRAGHUNANDAN
Partner

M.No.26255
Date : 15.09.2008
Place: Hyderabad

Sd/-
SYED BILAL BASHA
Chief General Manager(Finance)

Sd/-
K.SUJATHA
Company Secretary



CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	Year Ended 31st March, 2008		Year Ended 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
A. Cash flows from operating activities:				
Net Profit before tax	139,103,989		125,983,943	
Adjustments :				
Add: Depreciation	2,336,994,867		2,024,913,920	
Add: Interest and Finance Charges	1,217,492,707		1,038,608,665	
Less: Withdrawal of Depreciation on Consumer Contributed Assets	873,105,346		2,164,535,891	
Operating profit before working capital changes	2,820,486,217		1,024,970,636	
Changes in Working Capital :				
(Increase)/Decrease in Interest Accrued on Investments	(1,567,184)		-	
(Increase)/Decrease in Sundry Debtors	2,570,402,047		(733,165,014)	
(Increase) / Decrease in Inventories	303,883,365		(981,555,054)	
(Increase)/ Decrease in Loans and Advances	(149,790,868)		(28,364,411)	
(Increase)/ Decrease in Other Receivables	(1,979,867,353)		(3,071,439,745)	
Increase /(Decrease) in Provisions	643,922,869		(66,983,724)	
Increase/(Decrease) in Data Migration Account	(5,451,574)		208,709,658	
Increase /(Decrease) in Other Current Liabilities	(1,384,709,040)		3,508,986,507	
Increase/(Decrease) in Employee Liability	1,953,798		1,912,869	
Cash generated from operations	2,819,262,278		(136,928,277)	
Income taxes / Fringe Benefit Tax Paid	(12,739,957)		(11,329,458)	
Net cash flow from operating activities		2,806,522,321		(148,257,735)
B. Cash flows from investing activities:				
Purchases/Adjustments relating to fixed assets	(6,367,604,882)		(1,508,398,320)	
(Increase) / Decrease in Capital Work in Progress	298,090,883		(2,308,621,510)	
(Increase)/ Decrease in Investments	(16,000,000)		(136,301,560)	
Net cash flow from investing activities		(6,085,513,999)		(3,953,321,390)
C. Cash flows from financing activities:				
Repayment of Secured Loans	(2,019,186,905)		(1,395,504,569)	
Proceeds from Secured Loans	6,862,008,219		1,384,442,177	
Repayment of Unsecured Loans	(2,768,304,284)		(238,655,984)	
Proceeds from Unsecured Loans	-		2,500,000,000	
Increase in Consumer Contributions	2,730,104,637		1,480,546,477	
Interest paid	(1,198,102,614)		(1,007,071,142)	
Increase in Contingency Reserve	17,655,786		6,388,928	
Net cash used in financing activities		3,624,174,839		2,730,145,887
Net Increase/ Decrease in cash and cash equivalents during the year		345,183,161		(1,371,433,238)
Cash and cash equivalents at the beginning of the year		1,247,341,098		2,618,774,336
Cash and cash equivalents at the end of the year		1,592,524,258		1,247,341,098

For and on behalf of the Company

As per our report of even date

For M.BHASKARA RAO & CO.,
Chartered Accountants

Sd/-

VRAGHUNANDAN

Partner

M.No.26255

Date : 15.09.2008

Place: Hyderabad

Sd/-

G.SAI PRASAD
Chairman & Managing Director

Sd/-

PRAJAGOPAL REDDY
Director (Finance & RA)

Sd/-

SYED BILAL BASHA
Chief General Manager(Finance)

Sd/-

K.SUJATHA
Company Secretary

Schedule - 1 Share Capital

S.No	Particulars	As at 31.3.2008 Rs	As at 31.3.2007 Rs
1	Authorised Share Capital		
	1,00,00,00,000 Equity Shares of Rs 10 each	10,000,000,000	10,000,000,000
2	Issued, Subscribed And Paid-up Capital		
	72,84,79,609 Equity Shares of Rs 10/ each fully paid up	7,284,796,090	7,284,796,090
	Out of the above, 9 Shares issued for cash and the balance Equity Shares issued for consideration other than cash; the above Equity Shares allotted to APTRANSCO under Second Transfer Scheme were transferred to Govt. of AP vide G.O. Ms.No.58 Dt:09.06.2005.		
	TOTAL	7,284,796,090	7,284,796,090

Schedule - 2 Reserves And Surplus

S.No	Particulars	As at 31.3.2008 Rs	As at 31.3.2007 Rs
1	CONSUMERS' CONTRIBUTION TOWARDS CAPITALASSETS:		
	As per Last Balance Sheet	7,381,237,545	6,073,069,203
	Add: Received during the year	2,204,578,627	1,308,168,342
	Sub Total (A)	9,585,816,172	7,381,237,545
2	SUBSIDIES TOWARDS COST OF CAPITALASSETS:		
	As per Last Balance Sheet	189,881,416	49,865,281
	Add: Received during the year	525,093,510	140,016,135
	Sub Total (B)	714,974,926	189,881,416
3	GRANTS/DONATIONS TOWARDS COST OF CAPITALASSETS :		
	As per Last Balance Sheet	1,568,102,011	1,535,740,011
	Additions during the year	432,500	32,362,000
	Sub Total (C)	1,568,534,511	1,568,102,011
	Total D= (A+B+C)	11,869,325,609	9,139,220,972
	Less: Withdrawal towards cost of Capital Assets	3,037,641,245	2,164,535,899
	Total	8,831,684,364	6,974,685,073
4	STATUTORY RESERVES:		
	Contingency Reserve		
	As per Last Balance Sheet	216,859,371	207,042,026
	Add: Additions during the year	-	-
	Add: Interest received & reinvested	17,655,786	9,817,345
	Total	234,515,157	216,859,371
	Less: Deductions during the year	-	-
	Total	234,515,157	216,859,371
5	EMPLOYEE FUNDS	13,308,685	11,354,886
6	Ind TRANSFER SCHEME VARIANCE ACCOUNT	298,015,538	298,015,538
7	PROFIT & LOSS ACCOUNT	(2,242,070,020)	(2,355,627,321)
	TOTAL	7,135,453,724	5,145,287,548

Schedule - 3 Loan Funds

S.No	Particulars	As at 31.3.2008 Rs	As at 31.3.2007 Rs
1	SECURED LOANS		
	a) Loans from REC (Guaranteed by Government)	5,883,728,569	6,291,152,171
	b) Loan from PFC Ltd on Hypothecation of Future Assets	623,241,097	280,455,904
	c) Loan from SBH (Charge on Current Assets)	2,000,000,000	592,540,277
	d) Loan from Allahabad Bank (Default ESCROW facility)	1,500,000,000	-
	e) Loan from Bank of Baroda (Default ESCROW facility)	750,000,000	-
	f) Loan from Karur Vysya Bank (Default ESCROW facility)	500,000,000	-
	g) Loan from Indian Overseas Bank (Default ESCROW facility)	750,000,000	-
	Sub-Total	12,006,969,666	7,164,148,352
2	UNSECURED LOANS		
	a) Loans from Government of Andhra Pradesh	543,018,333	574,426,633
	b) Loan from Andhra Bank	459,603,689	526,052,417
	c) Loan from ICICI Ltd	1,122,111,076	1,292,558,332
	d) APSEB Bonds 2004 Series	367,500,000	367,500,000
	e) ICICI Bank	-	2,500,000,000
	Sub-Total	2,492,233,098	5,260,537,382
	TOTAL	14,499,202,764	12,424,685,734

Schedule - 4 Fixed Assets

		Amount in Rs.									
S. No	Particulars	Gross Block				Depreciation & Amortisation				Net Block	
		As at 1-04-2007	Additions during the year 2007-08	Deductions during the year 2007-08	As at 31.03.2008	Up to 31-03-2007	For the year	Adjustments/ Deductions during the year	As at 31.03.2008	As at 31.03.2008	As at 31-03-2007
1	Land and Land rights	28,144,261	627,601	1,073,728	27,698,134	-	-	-	27,698,134	28,144,261	
2	Buildings	896,323,663	75,172,183	-	971,495,846	137,693,533	27,643,640	-	165,337,173	806,158,673	758,630,130
3	Other Civil Works	13,583,197	78,560,810	-	92,144,007	175,801	1,497,001	-	1,672,802	90,471,205	13,407,396
4	Plant and Machinery	11,895,478,253	3,184,284,437	-	15,079,762,690	5,598,044,460	840,691,515	-	6,438,735,975	8,641,026,715	6,297,433,793
5	Lines and Cable Network	15,797,995,013	2,218,868,707	-	18,016,863,719	8,263,766,634	1,062,728,507	-	9,326,495,141	8,690,368,579	7,534,228,379
6	Meters and Metering equipment	2,860,548,794	704,183,209	-	3,564,732,003	1,319,597,886	371,002,283	-	1,690,600,169	1,874,131,833	1,540,950,908
7	Vehicles	36,641,121	-	-	36,641,121	30,655,231	1,439,127	-	32,094,358	4,546,763	5,985,890
8	Furniture and Fixtures	33,762,741	3,972,866	-	37,735,607	21,532,191	2,394,089	-	23,926,280	13,809,328	12,230,546
9	Office Equipment	203,251,904	42,902,444	-	246,154,348	61,836,672	26,458,421	-	88,295,093	157,859,255	141,415,232
10	Computer Software	15,790,849	545,000	-	16,335,849	3,297,828	3,140,285	-	6,438,113	9,897,736	12,493,021
	Sub - Total	31,781,519,796	6,309,117,256	1,073,728	38,089,563,324	15,436,600,236	2,336,994,867	-	17,773,595,103	20,315,968,221	16,344,919,560
11	Devolution of Assets to Stores untilt upload of asset	(72,391,168)			(13,195,938)					(13,195,938)	(72,391,168)
	TOTAL	31,709,128,628	6,309,117,256	1,073,728	38,076,367,386	15,436,600,236	2,336,994,867	-	17,773,595,103	20,302,772,283	16,272,528,392
12	Assets not in use (Plant & Machinery)	672,296	366,124	-	1,038,420					1,038,420	672,296
	GRAND TOTAL	31,709,800,924	6,309,483,380	1,073,728	38,077,405,806	15,436,600,236	2,336,994,867	-	17,773,595,103	20,303,810,703	16,273,200,688

Schedule - 5 Capital Work-In-Progress

S.No	Particulars	As at 31.3.2008 Rs	As at 31.3.2007 Rs
1	Capital Work-in-Progress	6,112,580,736	6,416,510,603
2	Advances to Suppliers/Contractors (Capital)	91,270,169	85,431,185
TOTAL		6,203,850,905	6,501,941,788

Schedule - 6 Investments

S. No	Particulars	As at 31.3.2008 Rs.	As at 31.3.2007 Rs.
LONG TERM INVESTMENTS (AT COST)			
1	Contingency Reserve Investments		
	Quoted		
	a) 8.95% APTRANSCO Vidyut Bonds - 132 bonds of Face Value Rs.10,00,000 each (Market value as on 31.03.2008 Rs.10,00,000 each)	132,000,000	132,000,000
	b) SBI Mutual Funds - 11,11,241,895 units of Face Value of Rs.10 each (Market value as on 31.03.2008 Rs.10.1649 each)	11,329,000	11,329,000
	c) APPFC bonds of Rs.10,00,000/- each (Market Value as on 31.03.2008 Rs.10,00,000 each)	11,000,000	11,000,000
	Unquoted		
	a) 5.64% Central Govt.Securities - 2,00,000 bonds of Face Value Rs.100 each	19,876,333	19,876,333
	b) 8.35% Central Govt.Securities - 1,72,000 bonds of Face Value Rs.100 each	19,435,713	19,435,713
	c) 8.07% GOI 2017 Bonds	4,301,560	4,301,560
	d) 8.2% APWRDC Non-convertible 104 bonds of Face Value Rs.1,00,000 each	10,400,000	10,400,000
	e) Investment in APSFC - Unsecured, redeemable, non-convertible, Non SLR Bonds Series-II-2008	16,000,000	-
	Sub Total	224,342,606	208,342,606
2	Other Investments		
	Unquoted		
	Shares in Rural Electricity Supply Co-operative Societies (RESCO)		
	a) Sanjay RESCO, Jogipet - 67,860 shares of Face Value Rs 100 each	6,786,000	6,786,000
	b) Kadiri West RESCO - 1 share of Face Value Rs.16,700 each	16,700	16,700
	c) Kadiri West RESCO - 55 Shares of Face Value Rs.1,00,000 each	5,500,000	5,500,000
	d) Kadiri East RESCO - 46 Shares of Face Value Rs.1,00,000 each	4,600,000	4,600,000
	Sub Total	16,902,700	16,902,700
GRAND TOTAL		241,245,306	225,245,306

Schedule - 7 Current Assets Loans And Advances

S.No	Particulars	As at 31.3.2008 Rs.	As at 31.3.2007 Rs.
1	INTEREST ACCRUED ON INVESTMENTS	8,207,603	6,640,419
2	INVENTORIES		
	Stores and Spares	1,386,485,624	1,690,883,635
	Add: Materials stock (Excess) / Shortage pending investigation	(37,387)	334,536
	Less: Provision for Recovery / Write Off of Cost of Materials	299,455,268	300,341,837
	TOTAL	1,086,992,969	1,390,876,334
3	SUNDRY DEBTORS		
	a) Outstanding for a period exceeding 6 months		
	i) Considered Good	4,121,859,749	7,589,675,381
	ii) Considered Doubtful	7,097,180,969	3,057,141,224
		11,219,040,718	10,646,816,605
	Less: Bad Debts written off during the year	2,957,264,515	-
		8,261,776,203	10,646,816,605
	Less: Provision for Doubtful Debts	4,139,916,454	3,057,141,224
		4,121,859,749	7,589,675,381
	b) Other Debts		
	i) Considered Good		
	- Unbilled Revenue Provision	5,662,205,580	4,769,659,206
	- Others	1,525,459,589	1,520,592,378
		7,187,665,169	6,290,251,584
	ii) Considered Doubtful	-	-
		7,187,665,169	6,290,251,584
	TOTAL	11,309,524,918	13,879,926,965
4	OTHER RECEIVABLES		
	a) from Government of Andhra Pradesh	13,632,006,288	9,010,528,227
	Less: Written off during the year	1,286,300,000	-
		12,345,706,288	9,010,528,227
	b) from APCPDCL P&G Trust	-	1,814,838,009
	c) from APGENCO P&G Trust	280,990,804	-
	<u>d) from Others</u>		
	i) Inter Unit Accounts	301,051,798	344,272,977
	ii) Amount Receivable from Employees & Others	183,286,431	198,830,249
	iii) Scrap Devolution/Scrap Sale Release	74,106,744	78,071,399
	iv) Sundry Debtors Receivables on ACD/CD Arrears	5,845,752	9,406,060
	v) Others	785,639,478	540,813,022
	Sub - Total	1,349,930,203	1,171,393,707
	TOTAL	13,976,627,295	11,996,759,943
5	CASH AND BANK BALANCES		
	a) Cash Balance on Hand	99,141,467	172,076,631
	<u>b) Balance with Scheduled Banks:</u>		
	i) Current Accounts	628,233,027	581,699,797
	ii) Fixed Deposits	211,200,629	54,440,465
	c) Cash in Transit	653,949,135	439,124,204
	TOTAL	1,592,524,258	1,247,341,098

6	LOANS AND ADVANCES		
	a) Loans/Advances to Staff (Considered Good)	6,619,776	9,208,904
	b) Amount recoverable in cash or in kind or for value to be received (Considered Good except as stated in Note No.12)		
	i) Tax Deducted at Source	4,057,107	1,012,827
	ii) Deposits with Others	414,123,203	279,809,692
	iii) Prepaid Expenses	15,468,640	446,434
	TOTAL	440,268,725	290,477,857
	GRAND TOTAL	28,414,145,768	28,812,022,616

Schedule - 8 Current Liabilities And Provisions

S.No	Particulars	As at 31.3.2008 Rs	As at 31.3.2007 Rs
1	CURRENT LIABILITIES		
	a) Sundry Creditors (Net)	5,319,013,717	7,876,360,906
	b) For Others		
	i) APCPDCL P & G Trust	436,446,972	-
	ii) Discom GPF Trust	327,534,260	295,841,789
	iii) Creditors for Expenses (Net)	70,644,189	67,550,193
	iv) Entry Tax	160,448,665	38,235,216
	v) TDS	7,183,387	3,777,212
	vi) Employee Liabilities	247,744,966	197,984,157
	vii) Other Liabilities	5,179,607,149	5,360,671,644
	Sub-Total	6,429,609,588	5,964,060,211
	c) Security and Other Deposits	1,490,382,530	1,247,014,011
	d) Security Deposits from Consumers (including Interest thereon)	9,341,631,578	8,065,010,728
	e) Payable to DISCOMs (Net)	1,963,726,004	2,774,237,970
	f) Payable to Government of Andhra Pradesh	153,350,374	120,656,831
	g) Interest Accrued but not due	19,390,094	35,082,176
	Sub Total	24,717,103,885	26,082,422,832
2	PROVISIONS		
	a) Provision for Leave Encashment	1,296,450,725	652,206,575
	b) Provision for Gratuity	13,980,679	6,095,907
	c) Provision for Income Tax	12,806,731	8,206,053
	Sub Total	1,323,238,135	666,508,535
3	DATA MIGRATION ACCOUNTS	203,258,084	208,709,658
	TOTAL	26,243,600,104	26,957,641,025

Schedule - 9 Revenue From Sale Of Power

S.No	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	L.T.Supply		
	Cat.-I Domestic	10,675,385,970	9,189,349,011
	Cat.-II Non-Domestic	7,986,193,271	6,520,295,320
	Cat-III Industrial	4,843,490,156	4,507,661,286
	Cat-IV Cottage Industries	32,912,750	29,064,431
	Cat-V Agriculture	73,037,561	94,833,431
	Cat-VI Street Lights	971,466,692	923,672,166
	Cat-VII General Purpose	205,071,269	188,960,383
	Cat-VIII Temporary Supply	59,262,629	51,836,477
	Others	2,052,057	13,264,144
	Sub - Total	24,848,872,355	21,518,936,649
2	H.T. Supply		
	Cat.I Industrial	24,529,477,041	20,367,932,940
	Cat.II Non-Industrial	5,512,984,078	4,320,318,738
	Cat.IV Agricultural	691,203,792	544,999,872
	Cat.V Railway Traction	391,560,904	351,714,858
	Cat.VI Residential	281,481,191	248,006,782
	Cat. VIII Temporary Supply	77,503,044	94,373,362
	Others	89,029,853	5,121,414
	Sub - Total	31,573,239,903	25,932,467,966
3	Inter State Sale		
	Sale Of Power To PTC	16,485,663	74,500,660
	Sale Of Power To Reliance	152,760,999	17,699,907
	Sale Of Power To NTPC	145,367,129	187,391,201
	Sale Of Power To TPTCL	48,259,682	19,345,794
	Sale Of Power To Adani Exports	152,341,265	9,367,726
	Others	415,507,321	238,646,001
	Sub - Total	930,722,059	546,951,289
4	Wheeling Charges	29,419,357	118,672,972
5	Electricity Duty Recoveries	888,556,388	695,674,099
6	Theft of Power/Malpractice	43,417,838	45,222,258
7	LT Customer Charges		
	Cat.-I Domestic	875,774,237	820,587,128
	Cat.-II Non-Domestic	134,837,279	126,856,720
	Cat-III Industrial	24,226,959	21,470,175
	Cat-IV Cottage Industries	1,168,021	128,031
	Cat-V Agriculture	203,242,977	198,403,213
	Cat-VI Street Lights	13,169,691	11,278,235
	Cat-VII General Purpose	4,376,779	3,628,525
	Cat-VIII Temporary Supply	86,619	110,847
	Sub - Total	1,256,882,562	1,182,462,874

8	HT Customer Charges		
	Cat.I Industrial	19,735,405	17,551,486
	Cat.II Non-Industrial	11,407,450	9,483,606
	Cat.IV Agricultural	1,735,445	1,660,888
	Cat.V Railway Traction	53,891	54,053
	Cat.VI Residential	732,215	684,474
	Cat. VIII Temporary Supply	180,919	175,480
	Sub - Total	33,845,325	29,609,988
	TOTAL	59,604,955,788	50,069,998,095

Schedule - 10 Revenue Subsidies & Grants

S.No.	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	Tariff Subsidy	-	1,478,520,000
2	Additional Subsidy For Expensive Power	11,080,000,000	3,508,000,000
	TOTAL	11,080,000,000	4,986,520,000

Schedule - 11 Other Income

S.No.	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	<u>Interest on -</u>		
	a) Staff Loans & Advances	868,906	345,528
	b) Fixed Deposits & Others	16,755,794	19,855,063
	Sub-Total	17,624,700	20,200,592
2	Surcharge/Interest on ACD/CD Arrears	42,619,836	25,518,591
3	Delayed Payment Surcharge from Consumers	800,235,205	804,883,690
4	<u>Miscellaneous Receipts</u>		
	i) Rebate on Power Purchase	649,887,248	450,718,685
	ii) Fines & Penalties from Suppliers & Contractors	129,401,410	40,238,338
	iii) Profit on Sale of Scrap	39,291,629	11,164,496
	iv) Excess found on Physical Stock Verification	2,146,840	361,719
	v) Sale of Tender Schedules	5,729,752	4,624,739
	vi) Rental from Contractors	2,835,378	1,621,908
	vii) Other Income	1,102,318,949	356,147,571
	viii) Capacitor Surcharge	68,528,801	30,060,451
	ix) Interest on Electricity Duty	9,509,267	11,527,395
	x) Application Registration Fees	16,893,401	12,811,763
	xi) Supervision Charges	209,063,720	153,308,936
	xii) Fuel Surcharge Adjustment Provision Written Back	280,776,289	-
	xiii) Miscellaneous Income	3,790,074	56,865,242
	Sub-Total	2,520,172,758	1,129,451,242
5	Withdrawal from Consumer Contribution towards Depreciation on Fixed Assets	873,105,346	639,880,493
	TOTAL	4,253,757,845	2,619,934,608

Schedule - 12 Purchase Of Power

S.No.	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	Purchase of Power from Generators, etc.	57,360,204,547	49,062,524,280
2	Inter-Discom Purchase of Power	615,651,722	297,196,018
TOTAL		57,975,856,269	49,359,720,298

Schedule - 13 Employees Cost

S.No.	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	Salaries, Wages and Bonus (including Directors' Salaries & Allowances)	3,727,667,394	2,775,247,473
2	Pension Contribution & Terminal Benefits	504,090,772	509,817,087
3	Employees Welfare expenses	8,184,531	9,631,090
Sub-Total		4,239,942,697	3,294,695,650
Less: Employees Cost Capitalised		352,936,364	218,302,889
TOTAL		3,887,006,333	3,076,392,761

Schedule - 14 : Administration And General Expenses

S.No	Particulars	For the year 2007-08		For the year 2006-07	
		Rs.	Rs.	Rs.	Rs.
1	Licence fees - APERC		16,576,300		16,136,863
2	<u>Repairs and Maintenance to</u> a) Plant and Machinery b) Buildings & Civil works c) Vehicles d) Others	882,902,050 8,020,120 26,446,846 109,984,141		682,462,575 7,589,675 23,638,334 85,229,288	
3	Lease Rentals		1,027,353,156		798,919,872
4	Rent		136,296,260		134,452,693
5	Rates & Taxes		14,720,223		8,171,008
6	Insurance		16,206,075		30,020,292
7	Telephone Charges		459,918		525,138
8	Postage & Telegram		36,860,651		40,655,028
9	Legal Charges		2,024,398		1,696,202
10	<u>Auditor's Remuneration-</u> a) Audit Fee b) Out of Pocket Expenses	678,054 150,000	6,593,775	533,710 125,000	4,296,898
11	Consultancy Charges		828,054		658,710
12	Professional Charges		7,076,022		3,497,861
13	Other Professional Charges		13,606,854		9,377,050
14	e-Seva Transaction Charges		134,928,963		129,548,012
15	Consumer Service Centre Charges		23,907,867		57,669,394
16	AP Online Charges		10,238,913		9,327,473
17	Bill Junction/Bill Desk Transaction Charges		3,041,708		2,918,560
18	Printing & Stationery		30,817		187,446
19	Advertisement		26,006,748		26,639,121
20	Electricity Charges		16,724,469		16,651,894
21	Conveyance and Travelling Expenses		36,265,355		26,653,006
22	Sittings Fee		156,182,176		150,613,649
23	Other Expenses		48,000		22,000
	Sub-Total		1,696,313,356		1,526,833,205
	Less: Administration & General Expenses Capitalised		62,277,009		38,516,515
	TOTAL		1,634,036,347		1,488,316,690

Schedule - 15 Other Expenses

S.No	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	Waival of Surcharge for Domestic Consumers Cat-I	-	29,174,314
2	Compensation for Injuries,Death & Damages	11,601,343	8,717,253
3	Miscellaneous losses and write-offs	-	8,264,302
4	Rebate on Power Bills	4,182,335	4,824,076
5	Fuel Surcharge Adjustments	-	387,656,890
6	Doubtful Debts Provided for	1,082,775,230	-
7	Bad Debts Written Off	2,957,264,515	-
8	Agricultural Dues from GoAP Written off	1,286,300,000	-
9	H T Incentive	1,579,311,391	1,192,923,719
10	Other Costs	66,208,004	76,856,002
TOTAL		6,987,642,817	1,708,416,557

Schedule - 16 Interest And Finance Charges

S.No	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	Interest on State Government Loans	10,349,700	10,631,676
2	Interest on REC Loans	538,073,760	609,155,996
3	Interest on PFC Loans	26,630,720	25,294,625
4	Interest on APSEB Bonds (2004)	42,630,000	40,878,082
5	<u>Interest on loans from Banks</u>		
	i) ICICI	120,407,868	119,568,980
	ii) Andhra Bank	35,969,974	40,473,283
6	Other Interest/Finance charges	663,028,205	443,417,993
	Sub-Total	1,437,090,226	1,289,420,635
	Less: Interest and Finance Charges Capitalised	219,597,518	250,811,970
TOTAL		1,217,492,707	1,038,608,665

Schedule - 17 Net Prior Period Credits/Charges

S.No	Particulars	For the year 2007-08 Rs.	For the year 2006-07 Rs.
1	Income relating to Prior Years		
	a) Receipts Prior Period	25,568,665	38,995,391
	b) Other Excess Provisions	116,897,385	413,735,237
	Sub-Total	142,466,050	452,730,628
2	Prior Period Expenses / Losses		
	a) Operating Expenses	1,029,749	67,730,170
	b) Employee Costs	-	2,318,493
	c) Depreciation	-	37,334,629
	d) Interest & Other Finance Charges	13,460,216	3,371,914
	e) Other Charges	-	62,477,312
	Sub-Total	14,489,965	173,232,517
NET PRIOR PERIOD CREDITS		127,976,085	279,498,111

CENTRAL POWER DISTRIBUTION CO. OF A.P. LTD.

Schedule 18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles.

2. Revenue Recognition

a) Sale of Power:

- i) Revenue from Sale of Power is accounted for based on demand bills raised on consumers. Tariff rates for sale of power are as per Tariff Order of The Andhra Pradesh Electricity Regulatory Commission.
- ii) Unbilled Revenue, including Delayed Payment Surcharge, as at the end of the financial year is provided in the books of accounts on 'estimation basis'.
- iii) Bills raised for theft of energy, whether on a consumer or an outsider are not recognized in full until the final assessment order is received from the competent authority of the Company. The amount received against initial assessment is treated as "Other Deposits".

b) Others:

Other Income is accounted on accrual basis.

3. Fixed Assets

Fixed Assets of the Company are stated in the books of account and disclosed in annual accounts at Historical Cost. Intangible assets are recognized as per the criteria specified in Accounting Standard-26 "Intangible Assets" issued by the Institute of Chartered Accountants of India.

4. Capital Work in Progress

- a) Ten percent of the Cost of Capital Works is capitalized to Capital Works towards Employee Cost and Administration & General Expenses, as the Operation Circles are executing both Capital Works and Operation & Maintenance Works, and it is not practicable to maintain records to identify the man hours spent by the staff on Capital Works.
- b) Interest relating to construction period is calculated based on the average interest rate of loans drawn under a Scheme, and capitalized. The interest is calculated from the date expenditure is incurred on respective Work Orders of the Scheme.

5. Consumers' Contributions, Grants and Subsidies towards Cost of Capital Assets

These are recognized in the Profit & Loss Account by allocating them over the periods and in proportion in which depreciation on assets concerned is charged.

6. Depreciation

- a) Depreciation on Fixed Assets is provided under the 'Straight Line Method' upto 90% of the original cost of assets, at the rates notified by the Ministry of Power, Government of India vide Notification No. S.O.266 (E) dated 29th March, 1994.

- b) Depreciation is calculated from the date of capitalisation or procurement of the asset.
- c) Depreciation on deletions of assets during the year is provided on pro-rata basis.

7. Investments

Investments are intended to be long term, and are carried at cost. Interest accrued on investments during the year is credited to 'Contingency Reserve'.

8. Inventories

Inventories are valued at cost on weighted average basis. Cost includes insurance, freight, taxes and all other expenses incurred to bring the inventories up to the Stores.

9. Employee Benefits

- a) Company's contributions to Provident Fund and Group Insurance Scheme are charged to Profit and Loss Account.
- b) Provision towards accrued liability for pension and gratuity is accounted for based on the figures furnished by Actuary.
- c) Bonus/ex-gratia is accounted for on 'cash basis'.
- d) Leave Encashment is accounted for based on the figures furnished by Actuary.

II. NOTES ON ACCOUNTS

1. Basis of Preparation of Financial Statements

The Financial Statements of the Company have been prepared in accordance with Schedule VI of the Companies' Act, 1956.

2. SAP Implementation

During the Financial Year 2006-07, the Company implemented SAP ERP for effective maintenance of books of accounts. Implementation of SAP has resulted in certain unreconciled items aggregating to Rs.20.33 Crores (Cr.) [Previous Year Rs.20.87 Crores (Cr.)], which have been classified as "Data Migration Account" and grouped under 'Current Liabilities'. These shall be adjusted after proper reconciliation.

3. Transfer Scheme Balances

3.1 Second Transfer Scheme

The balances as on 1-4-2000 have been adopted in the books of accounts as per "Second Transfer Scheme" notified by G.O.Ms.No.109 Energy (Power III) dt.29-9-2001. Based on review, certain differences between balances maintained at field units and balances as transferred under the "Second Transfer Scheme" have been identified in both assets and liabilities.

The differences identified of Rs.29.80 Crores are adjusted and transferred to "Second Transfer Scheme Variance Account" and shown under 'Reserves and Surplus'. The decision on further adjustment shall be taken based on the decision of Committee constituted as per the Second Transfer Scheme.

3.2 Third Transfer Scheme

- (a) The Government of Andhra Pradesh (GoAP) vide G.O.Ms. No.58, Energy (Power-III), dated: 07-06-2005 notified the transfer of Bulk Supply Undertaking and Power Purchase Agreements from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) to the four Distribution Companies (DISCOMs), in specified ratios, as on 09-06-2005. The share of the Company in generation

capacities of all generating stations allocated to the four DISCOMS is 43.48%. The GoAP has, vide G.O.Ms.No.53, Energy (Power-III) dated 28.04.2008, amended the share of four DISCOMs in the Generating Stations as per which the revised share of APCPDCL is 46.06%. This G.O. shall be deemed to have come in to force with retrospective effect from 09.06.2005. The retrospective implementation of the G.O. involves so many calculations, revisions, etc. The Andhra Pradesh Power Co-ordination Committee (APPCC) is in the process of requesting the GoAP to amend the date of implementation from July, 2008 onwards. On receipt of the reply from GoAP, action will be taken uniformly along with the other DISCOMs. As such, the account of Purchase of Power in Schedule 12 is based on pre-revised percentage of 43.48%.

- (b) As per the provisions of the Third Transfer Scheme, all pending proceedings of whatever nature by or against APTRANSCO pending as on effective date shall be continued by or against the transferee. Further the rights and obligations of all persons in respect of Bulk Supply Undertaking shall be restricted to the transferee, notwithstanding anything to the contrary contained in any deed, document, instrument, agreement or arrangement which such persons may have entered into with APTRANSCO, and such persons shall not claim any right or interest against APTRANSCO and/or the State Government in connection therewith.
- (c) The cost of Power Purchase, Inter-State Sale of power and its accounting are being carried out by the APPCC, and are intimated to the DISCOMs, which are adopted in the Company's books.

4. Fixed Assets:

- 4.1 As per the policy of the management, considering the size of the organization, physical verification of assets is carried out once in three years. Accordingly, physical verification of fixed assets has been carried out during the F.Y. 2007-08. Certain minor discrepancies have been noticed during the Physical Verification, which will be adjusted based on the detailed report called for from the field offices.

The details of Fixed Assets of the Company as on 31.03.2008 are as follows-

Particulars	Rs. Crores	
	2007-08	2006-07
Gross Block Value	3,807.74	3,170.98
Accumulated Depreciation	1,777.36	1,543.66
Net Block Value	2,030.38	1,627.32

The Gross Block Value of Fixed Assets is net of devolution of assets to Stores amounting to Rs.1.32 Crores (Previous year Rs.7.24 Crores).

- 4.2 The assets have been insured wherever considered essential.
- 4.3 **Consumer Contributed Assets:** During the year 2007-08, the Company has received Consumer Contribution (including Subsidies, Grants and Donations towards Cost of Capital Assets) amounting to Rs.273.01 Crores (Previous year Rs.148.05 Crores). In proportion in which depreciation on the concerned assets has been charged during the year 2007-08, an amount of Rs.87.31 Crores (Previous year Rs.63.99 Crores) has been treated as withdrawal from consumer contribution and credited to Profit and Loss Account.
- 4.4 **Depreciation on Fixed Assets:** Depreciation on Fixed Assets has been provided under the "Straight Line Method" at the rates notified by the Ministry of Power (MoP), Government of India vide Notification No. S.O.266 (E) dated 29th March, 1994. In respect of the following Assets the rates applied as per MoP are different from rates prescribed under Schedule XIV of Companies Act, 1956-

Description of Asset	Schedule XIV Rates	MoP Rates
Buildings and Other Civil Works	1.63%	3.02%
Battery Chargers	4.75%	33.40%
Material Handling Equipments	4.75%	7.84%
Meters / Meter Equipments	4.75%	12.77%
Office Equipments and Air Conditioners	4.75%	12.77%
Plant & Machinery and Lines, Cables & Network	4.75%	7.84%
Capacitor Banks	4.75%	5.27%
Furniture & Fixtures	6.33%	12.77%
Vehicle – Car / Jeep / Scooter / Motor Cycle	9.50%	33.40%
Vehicle – Lorry / Truck	11.31%	33.40%
Computers and IT Equipments	16.21%	12.77%

4.5 Interest During Construction: Interest relating to Construction period of Rs. 21.96 Crores (Previous year Rs.25.08 Crores) has been capitalized during the year.

5. Revenue:

During the year 2007-08 the Company is eligible for Additional Subsidy for Expensive Power aggregating to Rs.1108.00 Crores (Previous Year Rs.350.80 Crores.).

As per Company's accounting policy, Unbilled Revenue (including Delayed Payment Surcharge) as at the end of the financial year has been provided in the books of accounts on 'estimation basis', which works out to Rs. 566.22 Crores (Previous Year Rs. 476.97 Crores). As per the actual billing, the amount works out to Rs.584.35 Crores (Previous Year Rs.504.70 Crores).

Regarding collection of Electricity Duty from Ferro Alloy units, the element of electricity duty is not being collected and remitted, pending receipt of clarification from GoAP on G.O. Ms. No.123 dated 23.10.2003. The amount for the years 2003-04 to 2007-08 works out to Rs.6.73 Crores.

6. Sundry Debtors:

The details of Sundry Debtors as on 31-3-2008, (net of credit balances) are given below:

Rs. Crores

Particulars	As on 31.03.2008	As on 31.03.2007
Court Cases	198.66	202.78
R.R. Act	24.89	31.01
Disconnected / Bills Stopped	456.31	408.86
Others *	298.86	574.08
	978.72	1216.73
Add: Unbilled Revenue Provision	566.22	476.97
	1544.94	1693.70
Less: Provision for Doubtful Debts	413.99	305.71
Sundry Debtors	1130.95	1387.99

* Includes Rs.6.92 Crores (Previous year Rs.6.59 Crores) representing the amount realized and not adjusted against individual consumers.

Based on the Provisional Comments of C & AG for the F Y 2007-08, the Board has reviewed provisions made for doubtful debts and considering the scope of realisability, the following bad debts have been written off-

1) DPS on BIFR Dues	Rs. 117.97 Crores
2) DPS> 4 months	Rs. 40.30 Crores
3) Arrears >5 years	Rs. <u>137.45</u> Crores
TOTAL	Rs. <u>295.72</u> Crores

7. Employee Related Benefits:

A) Terminal Benefits:

a) Employees who have joined prior to 01.02.1999

During the year the Company has not carried out Actuarial Valuation of Terminal Benefits. The Company, based on the Draft Actuary Report as on 31.03.2006, has contributed 24.51% of Basic & DA towards Pension & Gratuity to the APCPDCL Pension & Gratuity Trust.

While conducting Actuarial Valuation of Terminal Benefits during the year 2006, the liability for Family Pensioners was not assessed by the Actuary due to insufficient data.

During the year under review, the amount charged to Profit & Loss account is Rs.46.77 Crores (Previous Year Rs. 46.69 Crores) towards provision for Pension & Gratuity. As stated above, this does not include liability for Family Pensioners.

These employees are covered by General Provident Fund and are eligible for Gratuity and Pension. The GPF is administered by APCPDCL PF Trust.

The funds of Pension and Gratuity are held jointly by Master Trust, administered by APGENCO, and APCPDCL Pension & Gratuity Trust, and payments are made in the ratio of 74: 26 respectively.

- b) The Company owes Rs.43.64 Crores to APCPDCL P & G Trust as on 31.03.2008 (Previous Year the Trust owes to the Company Rs.181.48 Crores).
- c) APGENCO Master Trust owes Rs.28.10 Crores (Previous Year Rs.171.54 Crores owed by the Company) to the Company as on 31.03.2008.
- d) The Company owes Rs.32.75 Crores (Previous Year Rs.29.58 Crores) to APCPDCL GPF Trust. Interest on GPF for the financial year 2007-08 of Rs. 2.34 Crores (Previous Year Rs. 0.07 Crores) has been debited to Profit and Loss Account. Short provision of Rs. 0.42 Crores relating to Financial Year 2006-07 has been provided during the year by debit to 'Prior-period Expenses'.
- e) Employees who have joined on or after 01.02.1999

These employees are covered by Employees' Provident Fund & Miscellaneous Provisions Act 1952 and Employees' Provident Fund Scheme, 1952.

Gratuity for eligible employees provided by the Company for the year is Rs.0.79 Crore (Previous Year Rs.0.54 Crore).

No Bonus has been paid by the Company during the year ended March 31, 2008. Ex-gratia payment during the year amounts to Rs.1.00 Crore. (Previous Year Rs.0.006 Crore.).

B) Leave Encashment

During the year an amount of Rs.23.03 Crores (Previous Year Rs.20.71 Crores) has been incurred towards Leave Encashment; Rs. 9.47 Crores (Previous Year Rs.13.70 Crores) by way of debit to Profit & Loss Account and Rs.13.56 Crores (Previous Year Rs.7.01 Crores) by way of direct debit to Provision for Leave Encashment Account.

Further, during the year the Company has not carried out Actuarial Valuation of Leave Encashment. The Company, based on Actuarial Valuation done in Financial Year 2004-05, has extrapolated the liability as on 31.3.2008 and, accordingly, has made a provision of Rs.78.00 Crores towards Leave Encashment during the year (Previous Year Rs. Nil).

OTHERS:

8. The Company is in the process of reconciling other claims under Inter Unit accounts balance amounting to Rs 30.11 Crores (Previous Year Rs. 34.43 Crores).
9. Remittances-in-transit of Rs.65.39 Crores (Previous Year Rs.43.91 Crores) includes an amount of Rs.0.09 crores (Previous Year Rs.0.09 Crores) due to the Company which was inadvertently credited to the bank account of Eastern Power Distribution Company of A.P. Ltd. during the previous years by the bankers and the said amount is under reconciliation. In the opinion of the management, the amount is fully recoverable. Necessary entries will be passed in the books of account after reconciliation and confirmation thereof.
10. The Debt Recovery Tribunal (DRT) approached State Bank of Hyderabad, Gunfoundry to make good Rs.4.23 Crores from Current Account No.522117470377 of APCPDCL based on the Petition filed by REC Ltd. towards dues of Kadiri East and West RESCOs. As per the request of APCPDCL, the banker earmarked Rs.4.23 Crores towards the above under a separate Deposit Account to disburse the same, subject to the outcome of DRT Order.
11. The Company is in the process of reconciling the following unreconciled balances since 01.04.2000 in Bank Reconciliation Statements of 58 Field Units out of 130 units-
 - a) Unidentified Credits in Bank Statements Rs.29.56 Crores ; and
 - b) Cheques deposited by the Company but not credited by the bank Rs.4.32 Crores.
12. The amount of Deposits with Others Rs.41.41 Crores (Previous Year Rs.29.89 Crores) includes an amount of Rs.16.89 Crores (Previous Year Rs.4.56 Crores) towards disputed Entry Tax deposited by the Company with the Commercial Taxes Officer as per Orders of APSTAT and Honorable High Court.
13. The Company has not received information from the “Suppliers” regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006. Hence, it has not been possible to disclose amount remaining unpaid as at the year-end, together with the interest payable thereon as required under the said Act.
14. The Company has taken over the operations of Kadiri (East & West) RESCOs from 01.12.2004 and Sanjay RESCO from 01.12.2005 as per the orders of Government of Andhra Pradesh.

The Company has appointed an independent Chartered Accountant for verification of assets and liabilities submitted by the Liquidator. Based on overall circumstances and the report of the Chartered Accountant, it reflects that the Company needs to be compensated to the extent of Rs. 83.13 Crores for take-over of assets and liabilities. The Company has approached the Government of Andhra Pradesh for reimbursement.

The decision on the take-over of assets and liabilities will be taken after the receipt of decision from the Government.

15. The Revenue and Expenditure of Kadiri East and Kadiri West RESCOs for the year 2007-08 included in the books of accounts are as follows-

Rs. Crores

Particulars	2007-08	2006-07
Revenue	5.88	4.77
Expenditure (Other than Power Purchase & Depreciation)	4.18	3.99

16. The Revenue and Expenditure of Jogipet RESCO for the year 2007-08 included in the books of accounts are as follows-

Rs. Crores

Particulars	2007-08	2006-07
Revenue	13.26	8.01
Expenditure (Other than Power Purchase & Depreciation)	7.74	1.60

17. An amount of Rs.240.18 Crores was claimed by APGENCO in respect of Energy delivered from Srisailam Left Bank Pump House to the four DISCOMS for Financial Year 2007-08. Against this, APPCC approved the claim only to an extent of Rs.138.14 Crores, leaving a balance of Rs.102.04 Crores. The Company's share at 43.48% works out to Rs.44.37 Crores. This difference is mainly due to application of different rates for the period from July 2007 to October 2007 and exclusion of charges for Pump Mode Operation during October 2007 to December 2007. The matter is pending with APERC.
18. Long-Term Investments of Rs.1.69 Crores made in Rural Electricity Supply Co-operative Societies (RESCO) shares were transferred to the Company under the Second Transfer Scheme and of Sanjay Rural Electricity Co-Operative Society, Jogipet (RESCO) transferred by APTRANSCO.

No depreciation is provided on these investments as the values of Assets and Liabilities have not been adopted in the books of accounts of the Company.

19. During the process of Internal Audit:

19.1 Financial misappropriation of Rs.1.38 Crores was noticed at Kurnool ERO. Some of the departmental persons were kept under suspension. The departmental proceedings and enquiries are in process.

19.2 Financial misappropriation of Rs.0.06 crores has been noticed at Gadwal ERO due to non-accounting of cash collection in the Cash Book. An amount of Rs.0.009 Crores has been recovered from the concerned employee. The departmental enquiry is in process.

19.3 Unauthorized credit of Rs.0.222 Crores in Customers' Accounts was noticed in Jeedimetla ERO. An amount of Rs.0.217 Crores has since been recovered. Management has initiated necessary disciplinary proceedings.

20. The loans made by the company to the employees for House Building are secured and other loans and advances are unsecured.
21. Income-Tax assessment for the Assessment Year 2007-08 is pending. For the Assessment Years 2005-06 & 2006-07, the Assessing Officer has added Rs.16.90 Crores & Rs.0.70 Crores respectively to the income returned by the Company. The Company has filed an appeal against the 'addition' in Assessment Year 2005-06 with C.I.T. (Appeals)-II on 30.01.2008. It is in the process of filing an appeal against the 'addition' in Assessment Year 2006-07.

22. Sales-Tax assessment for the years 2004-05, 2005-06 & 2006-07 are pending.
23. Since the company has substantial unabsorbed depreciation, it is unlikely to have taxable profit in near future and hence it is not necessary to create Deferred Tax Asset in accordance with AS-22 “Accounting Standard for Taxes on Income” issued by ICAI.
24. Capacitor lease rental payments of Rs.0.71 Crores (Previous Year Rs.1.37 Crores) have been debited to ‘Lease Rentals’ and charged off to Profit & Loss Account. The Company has not acquired any leased assets on or after 01.04.2000.

25. **Savings Fund & Family Benefit Fund:**

a) **Savings Fund:**

With effect from 01.07.1985 Employees Group Insurance Scheme was introduced in the place of erstwhile Family Benefit Fund Scheme. As per the said Scheme the contributions of the Employees consists of two portions, the Insurance portion and the Savings portion. The future liability of the Company as per the said Scheme could not be ascertained. The closing balance of the Savings Fund held as on 31.03.2008 is Rs. 1.39 Crores (Previous Year Rs.1.19 Crores).

During the year the Interest on Savings Fund of Rs. 0.50 Crores (Previous Year Rs. 0.48 Crores) has been paid and is shown under the Head ‘Interest and Finance Charges’ in Schedule-16.

b) **Family Benefit Fund:**

As a result of introduction of the Group Insurance Scheme with effect from 01.07.1985, the amounts payable to the employees as per the Family Benefit Fund (FBF) Scheme as on that date have been frozen. The balance also carries interest at the rates as specified in the FBF Scheme.

The future liability towards principal and interest to date will be accounted when payments are made.

During the year the Interest on Family Benefit Fund of Rs. 0.32 Crores (Previous Year Rs 0.24 Crores) has been paid and is shown under the Head ‘Interest and Finance Charges’ in Schedule-16.

26. The requirements of the following Accounting Standards issued by the ICAI are not applicable to the Company-

AS 7	Construction Contracts
AS 17	Segment Reporting since Distribution and Retail supply of Power comprises the only primary & reportable segment
AS 18	Related Party Disclosures since the Company is a State Government Company and falls within the designation of ‘State Controlled Enterprise’
AS 20	Earning Per Share since the Company is unlisted
AS 21	Consolidated Financial Statements, since the Company does not have any Subsidiary Company
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 25	Interim Financial Reporting
AS 27	Financial Reporting of Interest in Joint Ventures

27. QUANTITATIVE INFORMATION:

	2007-08 MUs	2006-07 MUs
Purchase of Energy	26,256.51	24,185.34
Sale of Energy	21,793.47	20,068.12

28. CONTINGENT LIABILITIES:

The Company is contingently liable in respect of:

	2007-08 Rs. Crores	2006-07 Rs. Crores
i. Claims against the Company not acknowledged as debts	6.75	6.83
ii. (a) Other amounts for which the Company is contingently liable	4.26	4.26
(b) Rate difference claimed by NCE Producers but disputed by the Company	Not ascertained	Not ascertained
iii. Capital commitments not provided for	58.65	289.74
iv. Disputed Entry Tax	33.25	25.65
v. Railway traction-Differential Tariff	0.33	0.66
vi. Sales Tax Penalty for purchase of Cement against G Form	1.34	1.34
vii. Liability on waiver of monthly Minimum Charges	0.20	Nil

By virtue of the Third Transfer Scheme, all liabilities for which APTRANSCO is contingently liable as on 09.06.2005 shall devolve upon the Distribution Companies – Amount not ascertained.

29. Figures have been rounded off to the nearest rupee.
30. Previous year figures have been regrouped, rearranged wherever considered necessary.
31. In the light of Provisional Comments of C & AG under the section 619(4) of the Companies Act 1956, the Annual Accounts for Financial Year 2007-08 have been revised and approved by the Board. As a result of the revision, Current Assets and Capital Works In Progress have increased by Rs.8.52 Crores and Rs.1.15 Crores respectively, and Current Liabilities have correspondingly increased by Rs.9.67 Crores. However, there is no impact on the Net Profit after Tax for the year.

For and on behalf of the Company

As per our report of even date

For M.BHASKARA RAO & CO.,
Chartered Accountants

Sd/-
G.SAI PRASAD
Chairman & Managing Director

Sd/-
PRAJAGOPAL REDDY
Director (Finance & RA)

Sd/-
VRAGHUNANDAN
Partner
M.No.26255
Date : 15.09.2008
Place: Hyderabad

Sd/-
SYED BILAL BASHA
Chief General Manager(Finance)

Sd/-
K.SUJATHA
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details :

State Code

0	1
---	---

Registration No.

3	4	1	1	6
---	---	---	---	---

Balance Sheet Date :

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

II Capital raised during the Year (Rs. In Thousands)

Public Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Right Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

III Position of Mobilisation and Deployment of Funds Rs. In Thousands)

Total Liabilities

			5	5	1	6	3	0	5	2
--	--	--	---	---	---	---	---	---	---	---

Total Assets

			5	5	1	6	3	0	5	2
--	--	--	---	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

			7	2	8	4	7	9	6
--	--	--	---	---	---	---	---	---	---

Reserves & Reserve Funds

			7	1	3	5	4	5	4
--	--	--	---	---	---	---	---	---	---

Un Secured Loans

			2	4	9	2	2	3	3
--	--	--	---	---	---	---	---	---	---

Secured Loans

			1	2	0	0	6	9	6	9
--	--	--	---	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

			2	0	3	0	3	8	1	0
--	--	--	---	---	---	---	---	---	---	---

Investments

			2	4	1	2	4	5
--	--	--	---	---	---	---	---	---

Net Current Assets

			2	1	7	0	5	4	6
--	--	--	---	---	---	---	---	---	---

Misc Expenditure

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Accumulated Losses

			2	2	4	2	0	7	0
--	--	--	---	---	---	---	---	---	---

IV Performance of Company (Rs. In Thousands)

Turnover

			7	4	1	7	8	1	3	3
--	--	--	---	---	---	---	---	---	---	---

Total Expenditure

			7	4	0	3	9	0	2	9
--	--	--	---	---	---	---	---	---	---	---

Profit/(Loss) Before Tax

			1	3	9	1	0	4
--	--	--	---	---	---	---	---	---

Profit/(Loss) After Tax

			1	1	3	5	5	7
--	--	--	---	---	---	---	---	---

Earning per Share

			N	I	L				
--	--	--	---	---	---	--	--	--	--

V Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code (ITC Code)

NA

Product Description :

Distribution and Retail Supply of Power

NOTES
