

## CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.

### NOTICE

To  
The Members of the Company

**NOTICE IS HEREBY GIVEN THAT THE TENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON 15<sup>th</sup> SEPTEMBER 2010 AT 11.00 AM AT THE REGISTERED OFFICE OF THE COMPANY AT 6-1-50, MINT COMPOUND, LAKDIKAPUL, HYDERABAD TO TRANSACT THE FOLLOWING BUSINESS:**

**Ordinary Business:**

1. To receive consider and adopt the Audited Profit and Loss Account for the period ended 31-3-2010 and Balance Sheet as on 31-3-2010 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 2010-11 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 2010-11.

“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 S R Mohan & Co, Chartered Accountants for the financial year 2010-11.”

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

Date: 14.09.2010

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. LIMITED

### EXPLANATORY STATEMENT (Pursuant to Sec 173 (2) of the Companies Act, 1956)

#### Special business

##### Item no. 1

The Company to meet the financial requirements of capital works undertaken under various schemes has approached financial institutions like Rural Electrification Corporation Limited and Power Finance Corporation Limited. The existing limits sanctioned by the share holders for borrowing are Rs.2000 crores. Taking into consideration the proposed Capital expenditure likely to be incurred in future the limits of borrowing need to be enhanced. Since as per provisions of Section 293(1) (d), the shareholders are authorized to enhance the limits of borrowing powers of the Board. Hence it placed before the members to consider and increase the existing limits of borrowings from Rs. 2,000 crores [Rupees Two Thousand crores] to Rs. 2,500 crores [Rupees Two Thousand Five Hundred crores].

None of the Directors is interested in the aforesaid proposal and recommends your acceptance thereof.

##### Item no. 2

The financial institutions who come forward to finance the requirements of the Company request for security of charge created on assets of the Company, either existing or future assets to be created under the schemes sanctioned by the institutes. The existing limits sanctioned by the share holders and creation of charge on assets are Rs.2000 crores. Taking into consideration the proposed Capital expenditure likely to be incurred in future the limits of borrowing need to be enhanced. Since as per provisions of Section 293(1)(a), the shareholders are authorized to enhance the limits of borrowing powers of the Board. Hence it placed before the members to consider and increase the existing limits of borrowings from Rs. 2,000 crores [Rupees Two Thousand crores] to Rs. 2,500 crores.[Rupees Two Thousand Five Hundred crores].

None of the Directors is interested in the aforesaid proposal and recommends your acceptance thereof.

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

Hyderabad  
Date: 25-09--2009

Sd/-  
K. SUJATHA  
COMPANY SECRETARY



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

### DIRECTORS' REPORT

Your Directors have pleasure in presenting the Tenth Annual Report of the Company, together with the Audited Accounts of the Company for the year ending 31 March, 2010.

#### FINANCIAL RESULTS

During the year under review, the Company achieved an aggregate income of Rs.10589.37 crores. The financial performance of the Company is as follows:

		(Rs. in Crores)
➤	Revenue from Sale of Power	: 7811.67
➤	Revenue from Subsidies and Grants	: 2262.65
➤	Other income	: 515.05
➤	Power Purchase Cost	: 9105.90
➤	Provision for depreciation	: 295.30
➤	Interest and Finance Charges	: 461.06
➤	Surplus	: 36.47
➤	Net worth of the Company	: 1874.91

The infrastructure of the Company as on 31.03.2010 is as follows:

S.No.	Particulars	Quantity
1.	33/11 KV Substations	1298 No.s
2.	Power Transformers	1933 No.s
3.	Distribution Transformers	221791 No.s
4.	33KV Feeders	12824 KM
5.	11KV Feeders	81864 KM

#### DIRECTORS:

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

S.No	Name of the Director	Designation	Date of Change
1.	Sri. G. Sai Prasad, IAS	Chairman & Managing Director	Up to 14.02.2010
2.	Sri. M.T. Krishna Babu, IAS	Chairman & Managing Director	Appointed on 14.2.2010
3.	Sri. P Rajagopal Reddy	Director/Finance & IT	
4.	Sri. B Ravindra Reddy	Director/Operations/Gr.Hyd	
5.	Sri. A Srinivasa Rao	Director/ Projects	
6.	Sri. K H Ghulam Ahmed	Director/ P&MM	
7.	Sri B. Veera Reddy	Director/Operations/Rural	
8.	Sri G. Raghuma Reddy	Director/Comml, RAC, IPC & CSC	Appointed on 28.1.2010
9.	Sri K.Venkata Narayana	Director /HRD & IR	Appointed on 5.2.2010
10.	Sri C. Chenna Reddy	Director (Non-whole time)	
11.	Sri. K. Vijayanand, IAS	Director(Non-whole time)	Up to 23.7.2009
12.	Sri. Ajay Jain, IAS	Director(Non-whole time)	Appointed on 23.7.2009

**CHANGES IN BOARD SINCE LAST REPORT:**

- The Government of Andhra Pradesh issued orders, appointing Sri M.T. Krishna Babu, IAS, as a Chairman & Managing Director of the Company vide G.O. RT. No.732, General Administration (Special.A) Department Dt: 14-02-2010 in place of Sri G. Sai Prasad, IAS.
- Sri Ajay Jain, IAS, Present Chairman and Managing Director of APTRANSCO was appointed as Non-Whole time Director of the Company vide G.O. Ms.No.33 DT. 23.7.2009 in place of Sri K. Vijayanand,IAS,
- Sri G. Raghuma Reddy was appointed as Whole time Director of the Company vide G.O. Ms.No.3, Energy (Power.III) Department DT. 28.1.2010.
- Sri K.Venkata Narayana was appointed as Whole time Director of the Company vide G.O. Ms.No.8, Energy (Power.III) Department DT. 5.2.2010.

**BOARD MEETINGS HELD DURING THE YEAR:**

During the financial year 2009-10, the Company has held Thirteen Meetings of Board of Directors.

Directors	Meetings Held	Meetings Attended	Remarks
Sri G. Sai Prasad, IAS	13	13	<b>Ceased to be Director w.e.f 14.02.2010</b>
Sri M.T. Krishna Babu, IAS	13	-	<b>Appointed on 14.02.2010</b>
Sri P Rajagopal Reddy	13	10	
Sri B. Ravindra Reddy	13	13	
Sri A. Srinivasa Rao	13	12	
Sri. K H Ghulam Ahmed	13	13	
Sri B. Veera Reddy	13	12	
Sri G. Raghuma Reddy	13	-	<b>Appointed on 28.01.2010</b>
Sri K. Venkata Narayana	13	-	<b>Appointed on 05.02.2010</b>
Sri C Chenna Reddy	13	12	
Sri K. Vijayanand, IAS	13	2	<b>Ceased to be Director w.e.f 23.07.2009</b>
Sri Ajay Jain	13	10	<b>Appointed on 23.07.2009</b>

**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 Ajay Jain, IAS	Chairman of Audit Committee (Non whole time Director) (after 23.07.2009)
2	Sri K Vijayanand, IAS	Chairman of Audit Committee (Non whole time Director) (upto 23.07.2009)
3.	Sri C. Chenna Reddy	Member Audit Committee (Non whole time Director)
4.	Sri K.H. Ghulam Ahmed	Member Audit Committee Director(P&MM)

The Audit Committee was reconstituted due to the change in the position of Non whole time Directors in the financial year 2009-10, as Sri Ajay Jain, IAS was nominated by Government of Andhra Pradesh in place of Sri K.Vijayanand, IAS.

The Audit Committee met two times during the financial year 2009-10. The Annual Accounts for the year 2009-10 were reviewed by Audit Committee in its meeting held on 19.7.2010.

Directors	Meetings Held	Meetings Attended	Remarks
Sri. K H Ghulam Ahmed	2	2	
Sri KVijayanand , IAS	2	-	<b>Sri Ajay Jain, IAS was nominated as Non-whole time Director in his place on 23.7.2009</b>
Sri Ajay Jain, IAS	2	2	<b>W.E.F. 23.07.2009</b>
Sri C. Chenna Reddy	2	2	

#### **AUDITORS OF THE COMPANY:**

M/s S R Mohan & Co, Chartered Accountants were appointed by Comptroller and Auditor General of India(C&AG) as the Statutory Auditors of the Company for the financial year 2009-10.

#### **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 Thirteen times during the financial year 2009-10.

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 31 March, 2010. 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,

Sd/-

M.T. Krishna Babu, IAS  
Chairman and Managing Director

Place: Hyderabad  
Date: 21-07-2010

## Annexure A to the Directors' Report

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

#### STATUTORY AUDITORS' REPORT

We have audited the attached Balance Sheet of Central Power Distribution Company of Andhra Pradesh Limited as at March 31, 2010 and the Profit and Loss Account for the year ended on that date annexed thereto and also the Cash Flow Statement for the year ended on that date. These Financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 the 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 (Auditor's) 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 paragraph I above, we report that:

#### 1. TAKE OVER OF OPERATIONS OF RURAL ELECTRIC SUPPLY CO-OPERATIVE SOCIETIES (RESCO):

(a) Pursuant to directions of the Government of Andhra Pradesh, the Company has taken over the operations RESCO Kadiri East and RESCO Kadiri West were taken over on 01/12/2004 and RESCO, Sanjay at Jogipet was taken over on 01/12/2005. The directions of the Government of Andhra Pradesh also include the takeover of the assets and liabilities of the aforesaid RESCO by the Company at mutually agreed values.

(b) In spite of reminder from the Accountant General (C & RA), Andhra Pradesh, the Company has not incorporated the value of all assets and liabilities in the books of account. As the value of these unincorporated assets and liabilities are not finalized and also depreciation on fixed assets taken over and cost of taken over material used is not accounted, the effect on the Profit & Loss Account, Assets and Liabilities could not be ascertained.

#### COMPANY'S REPLY

The company has requested the Government of Andhra Pradesh (GoAP) for reimbursement of Rs. 83.13 Crores, being the excess of Liabilities over Assets of RESCOs. Decision of GoAP is awaited.

Matter is being pursued with Govt. of A.P.

(c) As these RESCOs have already been liquidated, the investments in RESCOs amounting to Rs. 1.69 crore shown in the 'Investments Schedule' should have been written off in terms of Accounting Standard -13, Investment Accounting. Similarly a sum of Rs. 52.20 crore shown as receivable from RESCOs in Schedule 7 should have been written off.

**2. PURCHASE OF POWER:** Reference is invited to Note No. 2 regarding the Third Transfer Scheme, in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred from APTRANSCO to Distribution Companies in specified ratio with effect from 09/06/2005 and subsequent revision of the ratio of allocation. In order to facilitate purchase and trading of power, the Government of Andhra Pradesh has 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 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 are also not audited by any independent agency. The Company has requested the reallocation of power prospectively with from April 2008 instead of retrospective effect of 09/06/2005, and no adjustments are carried out for the transactions already incorporated in the books till March 31, 2008 and the original ratio of allocation. The impact of such revision, if any, on the Profit and Loss Account and Assets and Liabilities could not be ascertained.

### **3. CONSUMER CONTRIBUTIONS AND CONSUMER CONTRIBUTED ASSETS:**

(a) According to the information explanations given to us, amount received from the consumers towards capital assets is being credited to reserves immediately on receipt of the amount, even before the asset is created. Assets yet to be created out of these funds could not be ascertained.

(b) Reference is invited to Accounting Policy 5 and Note No. 4.3 with regard to adjustment of depreciation on consumer contributed assets. The adjustments for depreciation to total assets is made on the basis of proportionate value of the assets to the Consumer contributions instead of to the individual assets built out of the Consumer Contributions. Depreciation is not adjusted to the proportionate amount of consumer contribution prior to 01/04/2000 which has resulted in the consumer contribution being overstated and the profit for the year being understated. The amount effecting the Consumer Contribution and the Profit could not be ascertained.

On receipt of the Govt. of A P decision, all the issues will be comprehensively addressed.

The Power Purchase transactions are being audited by an independent agency viz., M/s Sagar & Associates, Chartered Accountants. The accounts can be audited. Regarding ratio of reallocation of Power with prospective effect, request has been made to the Govt. of AP.

In Turnkey Works, assets are created duly giving effect to the Consumer Contributed Reserves immediately. In other cases, assets are being created on the basis of load requirement.

The depreciation has been adjusted based on the proportionate value of the assets built out of consumer contribution, as the consumer contributions cannot be matched one to one with the assets created out of such contributions.

#### 4. FIXED ASSETS AND DEPRECIATION ON FIXED ASSETS:

- (a) Capitalisation of employee cost of Rs.32.26 crore (Previous year Rs.33.28 Crore) and Administrative and General Expenses of Rs.5.69 crore (Previous year Rs.5.87 crore) has been capitalized, as described in Significant Policy 4 (a), instead of capitalizing the directly attributable costs in line with Accounting Standard-10, 'Accounting for Fixed Assets'. Similarly a sum of Rs.21.58 crore (previous year Rs.29.88 crore) was capitalized towards interest during construction period on average interest rates as detailed in Significant Policy No.4(b) and Note No.4.5. As interest is to be capitalized with reference to the interest paid on the borrowing for the specific asset, the policy followed by the Company is not in accordance with Accounting Standard -16, 'Borrowing Costs'. The impact of these on the Profit and Loss Account and Assets and Liabilities could not be determined.
- Presently in SAP system Interest During Construction (IDC) is being calculated on the actual expenditure booked during the period, against the work order, as per the interest rate mentioned against Interest Profile.
- (b) According to the information and explanations given to us and on the basis of verification of the records we are of the opinion that:
- (i) Amount of Rs.4.86 crore incurred on Hostel Building and Residential Quarters should have been capitalized and appropriate depreciation charged in the accounts. As the work is under progress, it was not capitalized.
- (ii) As some of the agreements relating to HVDS schemes are foreclosed, the expenditure already incurred on these schemes should have been capitalized. Similarly expenditure incurred on Plant & Machinery and Lines and Cable Network to the extent put to use in respect of HVDS schemes which are under progress should have been capitalized. It is also noticed that certain other capital works like sub-stations, laying of underground cable and other capital works, though completed, were not capitalized as the completion certificates were not furnished/information with regard to devolution of the assets is not furnished to the Accounts and consequently depreciation is not charged for user of these assets. As the work is under progress, it was not capitalized. However efforts would be made to identify partially / near completed works that can be put to use and capitalized.
- (iii) The value of assets scrapped is not being adjusted in the books of account. Some of the assets were grouped and maintained in the system. In such cases value of asset scrapped could not be adjusted. However the same would be taken care of in future.
- (iv) As the date of commissioning/put to use of the assets and value thereof in respect of assets not capitalized and Gross value and Book Value of the assets scrapped could not be ascertained, we could not determine the impact on the profit and loss account and assets and liabilities. Noted for future guidance.
- (c) Variation in the price between the price specified in purchase order created in SAP and actual price of the material on date of The observation is noted for future guidance.

supply including variation in rates of duties and taxes is taken to the profit and loss account. As most of the material is being used in the capital works, proper adjustment should have been made to the fixed assets. The impact of such non-adjustment on the profit and loss, assets could not be ascertained.

Reference is invited to Significant Accounting Policy No. 6 and Note No. 4.4 with regard to provision for depreciation on fixed assets, which is charged on Straight Line Method at the rates specified by the Central Government vide notification No. S.O. 266 (E) dated March 29, 1994 issued under Electricity (Supply) Act, 1948. The rates specified under the said order in respect of certain assets are less than those prescribed under the Companies Act, 1956 which amounts to Rs.0.43 crore (previous year Rs.0.50 crore)

**5. DEFERRED TAX ASSET:** In the absence of demonstration of reasonable certainty of sufficient future taxable income, recognition of deferred tax asset for the year amounting to Rs. 55.04 (previous year Rs.103.31 crore) has resulted in over statement of profit for the year by Rs.55.04 crore for the year and understatement of accumulated Losses by Rs.158.35 crore.

**6. INVENTORIES:** During the year the management has carried out the physical verification of inventories and found that the value of obsolete/non-moving/slow moving stores is Rs.15.55 crore as against the provision of Rs.40.14 crore. A sum of Rs.3.42 crore is withdrawn leaving an excess provision of Rs.21.17 crore which resulted in understatement of profit and understatement of inventories to that extent.

**7. SUNDRY DEBTORS:** Sundry Debtors include amount in respect of cases filed in the Court amounting to Rs.248.69 crore, Revenue Recovery Act Rs.52.82 Crore and Disconnected/Bill Stopped Services Rs.165.52 crore totaling in all to Rs.467.03 crore as against the existing provision of Rs.467.20 crore. In the absence of any accounting policy for making provision for sundry debtors, we are unable to comment on the adequacy of the provision for doubtful debts.

**8. OTHER RECEIVABLES:**

(a) The net debit balance of Rs.12.33 crore (previous year Rs.37.87 crore) in inter-unit accounts, as referred to in Note No. 10 and Schedule 7 is under reconciliation. Pending reconciliation, we are unable to determine its impact on the Profit & Loss and on the assets and liabilities.

(b) Scrap Devolution/Scrap Sale Release amounting to Rs.3.36 crore (Previous year Rs.6.78 crore) related to legacy data which need to be reconciled. Pending reconciliation, its effect

The Company is following depreciation rates as notified by the Ministry of Power, Govt. of India through Gazette Notification issued from time to time.

Based on last three years performance, the Company is showing trend of profits consistently.

Under the "Second Transfer Scheme" notified by Government of Andhra Pradesh w.e.f. 01.04.2000, Inventories were transferred along with a provision of Rs.29.53 Crores. During the year under review based on the Stock Verification Reports, an amount of Rs.3.42 Crores (net) has been withdrawn from the provision. Further Verification/Reconciliation is in progress

The observation is noted for future guidance.

Reconciliation is under progress.

on the Profit & Loss, Assets and Liabilities could not be determined.

## 9. CASH & BANK BALANCES:

(a) Balances with Scheduled Banks in current accounts include unreconciled items since 01.04.2000 and there are unidentified credits in the bank accounts for Rs.3.73 crore (previous year Rs.7.18 crore) and cheques deposited but not credited to an extent of Rs.2.60 crore (previous year Rs.5.84 crore) are under reconciliation. The impact of the above on the Profit & Loss, Assets and Liabilities could not be determined.

Bank reconciliation is a continuous process and is under progress.

(b) Cash in transit include Rs.0.65 crore of net credits made by banks, which is under reconciliation. Pending reconciliation, we could not determine the effect on the Profit & Loss, Assets and Liabilities.

Reconciliation is under progress.

**10. LOANS AND ADVANCES:** Advances to suppliers /Contractors (Schedule 7) include very old items and also some items for which supplies have already been received. In certain cases the credit is lying elsewhere in the accounts. These accounts need reconciliation and proper adjustments. Pending such adjustments, we could not determine the effect on the Profit & Loss, Assets and Liabilities.

All the material against the advances were received but the difference is only due to making entry in the system and the process of reconciliation is in progress and expected to be completed shortly.

**11. PROVISIONS:** Reference is invited to Accounting Policy No.9 and Note No. 8 with regard to Provision for Pension and Gratuity liability. The provision for Pension and Gratuity liability for the employees who have joined before 01/02/1999 is made on an estimate basis. Gratuity liability for the employees joined on or after 01/02/1999 is provided at half month salary for each completed year of service for the eligible employees.

Provision for Pension & Gratuity made at the rate of 24.51% is as per earlier Actuarial Valuation report of M/S Hewitt Consultants.

Leave encashment benefit is provided based on actuarial valuation made in the year 2004-05 and extrapolating the liability for the subsequent period. Provision of these liabilities on the basis, as explained above, is not in accordance with Accounting Standard-15, Employee Benefits (Revised). The impact of the above could not be determined.

Note No.8 B under Notes to Accounts is self explanatory

## 12. NET REVENUE FROM SALE OF POWER:

(a) A sum of Rs.677.41 crore is accounted as Fuel Surcharge Adjustment recoverable from the Consumers, based on the advice given by the Andhra Pradesh Power Co-ordination Committee (APPCC), which is subject to the approval of the Andhra Pradesh Electricity Regulatory Commission (APERC). This may have effect on the accounts if the approval of the APERC is at variance with the calculations adopted by the APPCC.

FSA proposals for the Financial Year 2009-10 submitted to APERC for approval.

(b) Reference is invited to Note No.5 (b) with regard to accounting of accrued income on estimation basis. According to the information and explanations given to us accrued income accounted is lesser by Rs.28.99 crore (previous year Rs.12.12 crore) than the actual billing made subsequently. This has an effect of understatement of Profit and Debtors by the said amount.

Note under reference is self explanatory.

**13. MISCELLANEOUS RECEIPTS:** Miscellaneous Receipts includes:

(a) Rs.5.84 crore written back, being the balance amount lying in the Deposits received for deposit works. As proper intimation is not given to the customers with regard to the actual expenditure incurred as against the estimated amount deposited by the Consumer for their making a claim for refund, we are of opinion that taking these amount to income is not proper and resulted in profit for the year excess and liabilities less by the said amount.

Earlier the amount collected towards Supervision Charges was taken to Deposit Contribution Works Account. The same is being rectified by transferring to Revenue Account.

(b) Rs.2.62 crore being the difference between the Excise Duties debited to the stock account and actual Excise Duty paid on purchases of stocks. The Excise Duty rates entered at the time of creation of Purchase Orders in the SAP are not updated, whenever there is change in the Duties. The stock values, capital expenditure/revenue expenditure to that extent has effected and the exact effect on the Profit & Loss and assets could not be ascertained.

The observation is noted for future guidance

(c) A sum of Rs.18.22 crore written back from deposits in respect of theft cases, contrary to the Accounting Policy No.2 (a) (iii).

The write back from theft Deposit is on account of reconciliation with that of Consumer wise details obtained from fields.

**14. SALARIES, WAGES & BONUS:** Reference is invited to Accounting Policy No. 9 (c) and Note No. 8 (A) (f), wherein the basis has been stated that payment of Bonus and Exgratia is being accounted on payment. The impact, for the deviation from accrual concept, on Profit and Loss and Liabilities could not be ascertained.

Note under reference is self explanatory.

**15. LEGACY ITEMS:** Net difference in the Second Transfer Scheme Variance Account amounting to Rs.15.22 crore is written back to income and Net difference in Data Migration Account amounting to Rs.19.17 crore is charged off to the Profit and Loss Account.

The Note no. 9 of Notes to Accounts is self explanatory.

**16.** Reference is invited to Note No.23 with regard Group Insurance and Family Benefit Fund Schemes. Salary recoveries are used within the business, instead of investing these funds outside the business. Interest paid on these schemes is debited to the Profit and Loss account. The impact on the accounts could not be ascertained.

Noted.

17. The Company does not have any system of obtaining confirmations of balances from Sundry Debtors, Sundry Creditors, Bankers, financial institutions and other parties in respect of Loans, Advances, and Current Liabilities. Balances under these heads are subject to reconciliation and review. However, we have directly received confirmation of Balances from 10 banks only. The impact, if any, that may result on reconciliation and review of the balances under various heads in Current Assets and Current Liabilities could not be determined.

Wherever amounts are substantial, efforts are being made to obtain confirmation from the Consumers/Banks.

18. We are of the opinion that the unascertained amount is much higher than the ascertained amount that will have an effect on the Profit, Assets and Liabilities and furnishing the aggregate effect of only the ascertained amounts will not be appropriate. Hence we are not furnishing the aggregate effect of the ascertained amount on the profit, assets and liabilities.

Informative

III. Further to our comments in Paragraph I and II, 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 ;
- (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 and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956, except to the extent of deviations stated in Paragraph II above ;
- (e) As the Company is a Government Company, provisions of Section 274 (1) (g) of the Companies Act, 1956 are not applicable to the Company;
- (f) In our opinion and to the best of our information and according to the explanations given to us, subject to our Comments in Paragraph II and Annexure referred to in paragraph I above and read with Significant Accounting Policies and Notes forming part of the Accounts (Schedule-18) , 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 March 31, 2010;

- (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 flow for the year ended on that date.

For S R Mohan & Co.,  
CHARTERED ACCOUNTANTS

Sd/-  
G. JAGADESWARARAO  
Partner  
Membership No.021361

Date : 21.07.2010  
Place: Hyderabad

For and on behalf of the Board

Sd/-  
M T KRISHNA BABU  
Chairman & Managing Director

Date: 21.07.2010  
Place: Hyderabad

## B. Company's replies to Annexure to the Auditors' Report (Referred to in paragraph I of our Report )

### 1. Fixed Assets:

- |   |  |
|---|--|
| (a) The Company has maintained Fixed Assets Register showing circle wise particulars. However quantitative details and situation of Fixed Assets were not stated. Details of all parcels of land in the possession of the Company are not available in the Fixed Assets Register. | Cost Centre-wise situation of Fixed Assets has been mentioned in the Fixed Asset Register. |
| (b) Reference is invited to Note No. 4.1 wherein it has been stated that it is the policy of the management to conduct physical verification once in three years. Accordingly no physical verification is conducted during the year.  | Informative  |
| (c) There was no substantial disposal of fixed assets during the year. The Gross Block, Accumulated Depreciation and Net Block are not adjusted for the value of assets scrapped during the year.   | Noted  |

### 2. Inventory:

- |  |   |
|--|---|
| (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 nature of its business.  | Informative                                   |
| (c) The Company is maintaining proper records for stores, spare parts and components etc., and we are informed that no material discrepancies were noticed on physical verification, except in few cases, which have been properly dealt with in the books of account.   | Informative                                   |
| 3. Loans and Advances: The Company has not granted or taken loans secured or unsecured 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   |
| 4. Internal Control Systems: According to the information and explanations given to us, the Internal Control Systems are commensurate with the size of the Company and nature of its business for purchase of inventory, fixed assets and sale of services. However the internal control system needs to be strengthened with regard to SAP implementation in reconciliation of accounts, remittances in transit, inter unit accounts and accounting of capital and revenue work orders and stores accounting. | The observation is noted for future guidance. |

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5. According to the information and explanations given to us, there were no transactions that need to be entered in the registers maintained under Section 301 of the Companies Act, 1956. Accordingly reporting under this clause is not applicable. Informative
6. The Company has not accepted deposits from public within the meaning of the provisions of Section 58A and Section 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under. Noted
7. The Company has an internal audit system. In our opinion the scope and the coverage needs to be enlarged. Hitherto, Corporate Office used to give the Internal Audit Scope & periodical programmes, centrally for auditing of the various field units including Corporate Office. Now, to allow more independence and to enlarge the scope of the audit, APCPDCL is not defining either the scope or the schedule of Internal Audit at Corporate Level for auditing of various units. Based on the observations resulting from the above if any improvements are required in Independent Internal Audit System, the same will be examined for implementation.
8. Maintenance of Cost Records was prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 with effect from 01/04/2002. As per the information and explanations given to us, the Company has not maintained Cost records as per Cost Accounting Record (Electricity Industry), 2001. However, we are informed that the cost records are being compiled after completion of the Audit. The following records are being maintained by CPDCL –
- 1) Stores Ledgers in SAP for all the 7 Stores. These Ledgers, inter alia, give details of material received and issued, both quantity and value.
  - 2) Attendance Registers and ‘Fixed Charges Registers’ of Employees giving the details of Pay/Wages drawn by the employees. These Registers are maintained in all the Offices in APCPDCL.
  - 3) Fixed Asset Register in SAP for all the Cost Centers of all the Circles, including Corporate Office.
  - 4) Loan Records maintained at Corporate Office which have the details of Interest Payments also.
  - 5) Purchase of Energy Records are maintained by Andhra Pradesh Power Coordination Committee, Vidyut Soudha, Hyderabad.
- The particulars as per Proformae D E F of the “Cost Accounting Records Rules 2001” are being compiled from the aforesaid records after completion of the Audit every year.
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## 9. Statutory Dues:

- (a) The Company is regular in depositing the undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other applicable statutory dues with 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.

<i>Sl. No.</i>	<i>Statute</i>	<i>Nature of Dues</i>	<i>Amount (Rs. in Crores)</i>	<i>Period to which it 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>	<i>33.25</i>	<i>2002-2003</i>	<i>Supreme Court of India</i>
2.	<i>AP General Sales Tax Act</i>	<i>Sales Tax</i>	<i>1.34</i>	<i>2001 to 2006</i>	<i>A.P. Sales Tax Appellate Tribunal</i>
3.	<i>AP VAT Act, 2005</i>	<i>VAT</i>	<i>21.88</i>	<i>2005 to 2008</i>	<i>High Court of A.P.</i>

10. 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 immediately preceding financial year. Informative
11. According to the information and explanations given to us, we are of the opinion that the Company has not defaulted in payment of dues to the financial institutions and banks. The Company does not have any borrowings by way of debentures. Informative
12. The Company has not granted any loans and advances on the security by way of pledge of shares, debentures and other securities. However, in case of staff housing loans, the Company has obtained mortgage of house property. Informative
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to Chit Fund and Nidhi/Mutual Benefit Fund/ Societies. Informative

- 
- |  |             |
|--|-------------|
| 14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities  | Informative |
| 15. 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 |
| 16. As per the information and explanations given to us, we are of the opinion that the term loans are applied for the purpose for which the loans were obtained.  | Informative |
| 17. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis, prima facie, have not been used for long term investment. | Informative |
| 18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.   | Informative |
| 19. The Company did not have outstanding debentures during the year.   | Informative |
| 20. The Company has not raised any money through issue of shares to the public during the year.  | Informative |
| 21. To the best of our knowledge and belief and according to the information and explanations given to us, no frauds were discovered during the year.  | Informative |

For S R Mohan & Co.,  
CHARTERED ACCOUNTANTS

Sd/-  
G. JAGADESWARARAO  
Partner  
Membership No.021361

Date : 21.07.2010  
Place: Hyderabad

For and on behalf of the Board

Sd/-  
M T KRISHNA BABU  
Chairman & Managing Director

Date: 21.07.2010  
Place: Hyderabad

## Annexure B to the Directors' Report

### C & AG REPORT:

No. AG(C&RA)/CAWP/APCPDCL/I/2010-11/322

Dated 10.09.2010

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

Sir,

Sub: Comments on the accounts of Central Power Distribution Company of Andhra Pradesh Limited Hyderabad for the year ended 31 March 2010.

\* \* \*

I am to forward herewith Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act 1956 on the accounts of your company for the year ended 31 March 2010 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 Auditor's 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 2009-10 may be furnished in due course.

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

Yours faithfully,

Encl: As above.

Sd/-  
Dy. Accountant General (Commercial)

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF CENTRAL POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, HYDERABAD FOR THE YEAR ENDED 31 MARCH, 2010.**

The preparation of financial statements of Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad for the year ended 31 March, 2010 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 21 July, 2010.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad for the year ended 31 March, 2010. This supplementary audit has been carried out independently without access to working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report .

	COMMENT	COMPANY'S REPLY
1	<p><b>A. Comments on Profitability:</b></p> <p><b>Balance Sheet</b></p> <p><b>Application of Funds</b></p> <p><b>Fixed Assets</b></p> <p><b>Capital Work-in-Progress (Sch.5) – Rs.605.33 crore</b></p> <p>The above includes Rs.9.42 crore being the value of buildings and Sub-stations completed and put to use/ commissioned during the years 2008-10 but not capitalised.</p> <p>Non-Capitalization of the same has resulted in overstatement of “Capital work-in-Progress” and understatement of “Fixed Assets-Gross Block-Additions during the year” by Rs.9.42 crore. This has also resulted in understatement of “Depreciation” by Rs.27.34 lakh; “Prior Period Expenses” by Rs.5.77 lakh and overstatement of “Profit before Tax” by Rs.33.11 lakh.</p>	<p>The Capitalisation of Assets is based on the receipt of completion certificate and devolution of material from the Technical Wing. It is to submit that a Sub-station can be charged on installation of Power Transformer (PTR). However, there are certain other works to be carried out for putting the Sub-station to use. Capitalisation of Sub-station is done only on completion of all related works namely, PTR Augmentation, VCBs, Potential Transformers, Control Room brickwork, fencing etc.,</p> <p>Capitalisation of Sub-station shall be carried out on substantial completion of work.</p> <p>In the instant cases completion certificates were not received from the Technical Wing due to certain pending works / negotiation of escalation claims / supplementary Agreements for deviation from the original agreements.</p>
2	<p><b>Current Liabilities and Provisions (Sch.8)</b></p> <p><b>Sundry Creditors – Rs.1907.76 Crore</b></p> <p>The above does not include Rs.1.49 Crore being the amount payable to SAP India Private Limited, Bangalore towards Software Consultancy Services provided during November/ December 2009 for implementation of SAP ECC 6.0 Version. As per the agreement, the Company has to make the payment</p>	<p>As the SAP India Private Limited, Bangalore was yet to incorporate certain facilities as per the specific requirement of APCPDCL for satisfactory customization of SAP ECC 6.0 Version, the liability is not provided.</p>

	COMMENT	COMPANY'S REPLY
	<p>within 15 days from the date of receipt of invoice and then shall recover the proportionate amount from other DISCOMs. Though the invoices were received during November/ December 2009, the same was not provided for in the books of accounts.</p> <p>This has resulted in understatement of "Current Liabilities and Provisions-Sundry Creditors" by Rs.1.49 Crore; "Current Assets, Loans and Advances" by Rs.99.44 lakh; "Intangible Assets" by Rs.49.47 lakh and "Depreciation" by Rs.3.15 lakh. Consequently "Profit before Tax" is overstated by Rs.3.15 lakh.</p>	
3	<p><b>Profit &amp; Loss Account</b> <b>Expenditure</b> <b>Purchase of Power (Sch.12): Rs.9105.90 crore</b></p> <p>The above is understated by Rs.38.14 crore (46.06 <i>per cent</i> of Rs.82.80 crore) due to non-accountal of income tax for the year 2009-10 claimed by APGENCO in May 2010. This has resulted in understatement of "Current Liabilities and Provisions-Sundry Creditors" and overstatement of "Profit before Tax" by Rs.38.14 crore.</p>	<p>As far as the Income Tax claimed by APGENCO was concerned, the APCPDCL is not informed of the above claim within the cut off date, hence the same could not be taken into Books of Accounts.</p>
4	<p><b>Profit &amp; Loss Account</b> <b>Expenditure</b> <b>Purchase of Power (Sch.12): Rs.9105.90 crore</b></p> <p>The above does not include Rs.42.90 crore (46.06 <i>per cent</i> of Rs.93.14 crore) being the cost of Infirm Power bill of Dr. NTPS Stage – IV, relating to the period from 6.4.2009 to 28.1.2010, raised by APGENCO but was not accounted for in the books of accounts during 2009-10. Since, the power was drawn, sold and was accounted under revenue from sale of power during the current year, the corresponding expenditure and liability on this account should have also been provided for in 2009-10.</p> <p>This has resulted in understatement of "Purchase of Power"; "Current Liabilities and Provisions" and overstatement of "Profit before Tax" by Rs.42.90 crore.</p>	<p>As far as Infirm Power bill claimed by APGENCO was concerned, the APCPDCL is not informed of the above claim within the cut off date, hence the same could not be taken into Books of Accounts.</p>
5	<p>Pending finalisation of tariff proposals by A.P. Electricity Regulation Commission(APERC), the Distribution companies were paying the fixed charges and variable charges tentatively as claimed by APGENCO based on orders contained in the Retail supply tariff orders from 2006-07 onwards. The APERC had notified Regulation No.1 of 2008 containing terms and conditions for determination of tariff for supply of electricity by generating company to a distribution licensee and purchase of electricity by distribution licensees, which came into force with effect from 01.09.2008. The Regulation contained various norms</p>	<p>There is no information of withdrawing the Additional charges by APGENCO, as pointed out by the Audit. Necessary adjustment will be made in the accounts for the year 2010-11.</p>

	COMMENT	COMPANY'S REPLY
	<p>for coal transit losses, auxiliary energy consumption, return on capital employed, depreciation, O&amp;M expenses, taxes on income etc., according to which generating companies have to prefer claims towards variable and fixed charges for supply of power to Discoms. However the Generation tariff submitted by the APGENCO is yet to be finalized.</p> <p>Pending finalisation of generation tariff, APGENCO identified certain excess amounts claimed from the Distribution Companies and withdrawn an amount of Rs.561.98 Crore claimed through monthly bills towards variable charges of Thermal and Hydel power stations, fixed charges comprising of depreciation, operation and maintenance, return on capital employed (ROCE), cost of inter-state power etc., in deviation to the norms fixed by APERC vide Regulation 1 of 2008.</p> <p>On approval of the Regulation the company should have estimated the excess paid amounts of fixed costs and variable costs and withdrawn them from the Power Purchase cost. Non withdrawal of the same has resulted in overstatement of Power Purchase cost and "Current Liabilities and Provisions-Sundry Creditors" by Rs.258.85 Crore (46.06 <i>per cent</i> of Rs.561.98 Crore). Consequently "Profit before Tax" is also understated to the same extent.</p>	
6	<p><b>Administration and General Expenses (Sch.14)</b>  <b>Rates &amp; Taxes: Rs.3.03 Crore</b>  The above is understated by Rs.36.59 lakh being the property tax payable for 2009-10 in Hyderabad North Circle. Non-provision of Property Tax has resulted in understatement of "Current Liabilities and Provisions" and overstatement of "Profit before Tax" by Rs.36.59 lakh.</p>	<p>It is to submit that the Property Tax bills were received after the cut off date for closure of accounts, hence provision was not made.</p>
7.	<p><b>B. Comments on Financial position :</b>  <b>Profit &amp; Loss Account</b>  <b>Expenditure</b>  <b>Interest and Finance Charges (Sch.16)</b>  <b>Interest on PFC loans: Rs.26.99 crore</b>  The above does not include Rs.6.03 crore towards interest @ 11.5 <i>per cent</i> on loan received from Power Finance Corporation for implementation of IT related projects under Restructured Accelerated Power Development &amp; Reforms Programme (R-APDRP). As per the Terms and Conditions of sanction of loan, interest liability accrues from the date of disbursement by the Nodal Agency (PFC), though moratorium on repayment of principal and interest is permitted for a period not exceeding three years. Non-provision of interest liability has resulted in understatement of "Interest and Finance Charges", "Interest and Finance charges Capitalised" and "Current Liabilities and Provisions-Interest Accrued but not due" by Rs.6.03 crore.</p>	<p>It is to submit that the loan sanctioned by PFC under R-APDRP scheme is a conditional loan. The loan amount will be converted as a grant after successful completion of the Project with in a period of three (3) years. APCPDCL is expected to complete the work within a period of three (3) years. The APCPDCL has taken up previously similar projects like Dalith Basthis &amp; Hamlet Electrification funded by REC and completed within the project period and availed interest exemption. Hence, Interest has not been provided.</p>

	<b>COMMENT</b>	
<b>8</b>	<p><b>C. Comments on Disclosure:</b> <b>Notes on Accounts (Sch-18 - II)</b></p> <p>As per the directions (December 2007) of the State Government, the Company had committed to invest 20 per cent share of equity (Rs.315 crore) in Andhra Pradesh Power Development Company Limited (APPDCL - which is a Joint Venture between APGENCO and all four DISCOMS for implementation of 1600 MW Super Critical Coal Fired Thermal Power Project at Krishnapatnam, Nellore District) between 2007-08 and 2012-13. Out of committed equity of Rs.315 crore, the Company invested Rs.47.36 crore upto 2009-10 and so far 11,500 shares @ Rs.10 each (Valued Rs.1.15 lakh) were allotted.</p> <p>A disclosure of its commitments and interest in Joint Venture Company, as required under AS-27, is not made in the Notes on Accounts.</p> <p>Further, Note No.24, wherein the non- applicability of AS-27 was mentioned, is also incorrect to this extent.</p> <p>The Statutory Auditors also did not report non compliance of AS-27 by the Company in their Report.</p>	Noted for future guidance
<b>9</b>	<p>Due to delayed completion of Generation project by LANCO Kondapalli, the Andhra Pradesh Power Coordination Committee (APPCC) adjusted (January 2006) Rs.46.25 Crore as 'liquidated damages' from power supply bills of LANCO, which has been contested in the court of law and the case is pending in Hon'ble High Court of Andhra Pradesh. Pending settlement of this case an amount of Rs.19.10 Crore under ESCROW Account of the Company has been withheld by the bankers (SBH) on the instructions of LANCO. The Company should have made suitable disclosure in this regard in the notes on accounts.</p> <p style="text-align: center;"><b>For and on behalf of the Comptroller and Auditor General of India</b></p> <p style="text-align: center;">Sd/- <b>SADU ISRAEL</b> Accountant General (C&amp;RA)</p> <p>Place : Hyderabad Date : 10.09.2010</p>	<p>Noted for future guidance</p> <p style="text-align: center;"><b>For and on behalf of the Board of Directors</b></p> <p style="text-align: center;">Sd/- <b>M T KRISHNA BABU</b> Chairman &amp; Managing Director</p> <p>Place : Hyderabad Date : 14.09.2010</p>

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**AUDITORS' REPORT**

To  
The Members,  
Central Power Distribution Company of Andhra Pradesh Limited  
HYDERABAD

We have audited the attached Balance Sheet of Central Power Distribution Company of Andhra Pradesh Limited as at March 31,2010 and the Profit and Loss Account for the year ended on that date annexed thereto and also the Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 the 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 (Auditor's) 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 paragraph I above, we report that:
  1. TAKE OVER OF OPERATIONS OF RURAL ELECTRIC SUPPLY CO-OPERATIVE SOCIETIES (RESCO):
    - (a) Pursuant to directions of the Government of Andhra Pradesh, the Company has taken over the operations RESCO Kadiri East and RESCO Kadiri West were taken over on 01/12/2004 and RESCO, Sanjay at Jogipet was taken over on 01/12/2005. The directions of the Government of Andhra Pradesh also include the takeover of the assets and liabilities of the aforesaid RESCO by the Company at mutually agreed values.
    - (b) In spite of reminder from the Accountant General (C & RA), Andhra Pradesh, the Company has not incorporated the value of all assets and liabilities in the books of account. As the value of these unincorporated assets and liabilities are not finalized and also depreciation on fixed assets taken over and cost of taken over material used is not accounted, the effect on the Profit & Loss Account, Assets and Liabilities could not be ascertained.
    - (c) As these RESCOs have already been liquidated, the investments in RESCOs amounting to Rs.1.69 crore shown in the 'Investments Schedule' should have been written off in terms of Accounting Standard-13, Investment Accounting. Similarly a sum of Rs.52.20 crore shown as receivable from RESCOs in Schedule 7 should have been written off.

2. PURCHASE OF POWER: Reference is invited to Note No. 2. regarding the Third Transfer Scheme, in terms of which the Bulk Supply Undertaking and Power Purchase Agreements were transferred from APTRANSCO to Distribution Companies in specified ratio with effect from 09/06/2005 and subsequent revision of the ratio of allocation. In order to facilitate purchase and trading of power, the Government of Andhra Pradesh has 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 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 are also not audited by any independent agency. The Company has requested the reallocation of power prospectively with from April 2008 instead of retrospective effect of 09/06/2005., and no adjustments are carried out for the transactions already incorporated in the books till March 31, 2008 and the original ratio of allocation. The impact of such revision, if any, on the Profit and Loss Account and Assets and Liabilities could not be ascertained.
3. CONSUMER CONTRIBUTIONS AND CONSUMER CONTRIBUTED ASSETS:
  - (a) According to the information explanations given to us, amount received from the consumers towards capital assets is being credited to reserves immediately on receipt of the amount, even before the asset is created. Assets yet to be created out of these funds could not be ascertained.
  - (b) Reference is invited to Accounting Policy 5 and Note No. 4.3 with regard to adjustment of depreciation on consumer contributed assets. The adjustments for depreciation to total assets is made on the basis of proportionate value of the assets to the Consumer contributions instead of to the individual assets built out of the Consumer Contributions. Depreciation is not adjusted to the proportionate amount of consumer contribution prior to 01/04/2000 which has resulted in the consumer contribution being overstated and the profit for the year being understated. The amount effecting the Consumer Contribution and the Profit could not be ascertained.
4. FIXED ASSETS AND DEPRECIATION ON FIXED ASSETS:
  - (a) Capitalisation of employee cost of Rs.32.26 crore (Previous year Rs.33.28 Crore) and Administrative and General Expenses of Rs.5.69 crore (Previous year Rs.5.87 crore) has been capitalized, as described in Significant Policy 4 (a), instead of capitalizing the directly attributable costs in line with Accounting Standard-10, 'Accounting for Fixed Assets'. Similarly a sum of Rs.21.58 crore (previous year Rs.29.88 crore) was capitalized towards interest during construction period on average interest rates as detailed in Significant Policy No. 4 (b) and Note No. 4.5. As interest is to be capitalized with reference to the interest paid on the borrowing for the specific asset, the policy followed by the Company is not in accordance with Accounting Standard-16, 'Borrowing Costs'. The impact of these on the Profit and Loss Account and Assets and Liabilities could not be determined.
  - (b) According to the information and explanations given to us and on the basis of verification of the records we are of the opinion that:
    - (i) Amount of Rs.4.86 crore incurred on Hostel Building and Residential Quarters should have been capitalized and appropriate depreciation charged in the accounts.
    - (ii) As some of the agreements relating to HVDS schemes are foreclosed, the expenditure already incurred on these schemes should have been capitalized. Similarly expenditure incurred on Plant & Machinery and Lines and Cable Network to the extent put to use in respect of HVDS schemes which are under progress should have been capitalized. It is also noticed that certain other capital

works like sub-stations, laying of underground cable and other capital works, though completed, were not capitalized as the completion certificates were not furnished/information with regard to devolution of the assets is not furnished to the Accounts and consequently depreciation is not charged for user of these assets.

(iii)The value of assets scrapped is not being adjusted in the books of account.

(iv)As the date of commissioning/put to use of the assets and value thereof in respect of assets not capitalized and Gross value and Book Value of the assets scrapped could not be ascertained, we could not determine the impact on the profit and loss account and assets and liabilities.

(c) Variation in the price between the price specified in purchase order created in SAP and actual price of the material on date of supply including variation in rates of duties and taxes is taken to the profit and loss account. As most of the material is being used in the capital works, proper adjustment should have been made to the fixed assets. The impact of such non-adjustment on the profit and loss, assets could not be ascertained.

(d) Reference is invited to Significant Accounting Policy No. 6 and Note No. 4.4 with regard to provision for depreciation on fixed assets, which is charged on Straight Line Method at the rates specified by the Central Government vide notification No. S.O. 266 (E) dated March 29, 1994 issued under Electricity (Supply) Act, 1948. The rates specified under the said order in respect of certain assets are less than those prescribed under the Companies Act, 1956 which amounts to Rs.0.43 crore (previous year Rs.0.50 crore)

#### 5. DEFERRED TAX ASSET:

In the absence of demonstration of reasonable certainty of sufficient future taxable income, recognition of deferred tax asset for the year amounting to Rs.55.04 crore (previous year Rs.103.31 crore) has resulted in over statement of profit for the year by Rs.55.04 crore for the year and understatement of accumulated Losses by Rs.158.35 crore.

#### 6. INVENTORIES:

During the year the management has carried out the physical verification of inventories and found that the value of obsolete/non-moving/slow moving stores is Rs.15.55 crore as against the provision of Rs.40.14 crore as at 01/04/2009. A sum of Rs.3.42 crore is withdrawn leaving an excess provision of Rs.21.17 crore which resulted in understatement of profit and understatement of inventories to that extent.

#### 7. SUNDRY DEBTORS:

Sundry Debtors include amount in respect of cases filed in the Court amounting to Rs.248.69 crore, Revenue Recovery Act Rs.52.82 Crore and Disconnected/Bill Stopped Services Rs.165.52 crore totaling in all to Rs.467.03 crore as against the existing provision of Rs.467.20 crore. In the absence of any accounting policy for making provision for sundry debtors, we are unable to comment on the adequacy of the provision for doubtful debts.

#### 8. OTHER RECEIVABLES:

(a)The net debit balance of Rs.12.33 crore (previous year Rs.37.87 crore) in inter-unit accounts, as referred to in Note No. 10 and Schedule 7 is under reconciliation. Pending reconciliation, we are unable to determine its impact on the Profit & Loss and on the assets and liabilities.

(b)Scrap Devolution/Scrap Sale Release amounting to Rs.3.36 crore (Previous year Rs.6.78 crore) related to legacy data which need to be reconciled. Pending reconciliation, its effect on the Profit & Loss, Assets and Liabilities could not be determined.

9. CASH & BANK BALANCES:

(a)Balances with Scheduled Banks in current accounts include unreconciled items since 01.04.2000 and there are unidentified credits in the bank accounts for Rs.3.73 crore (previous year Rs.7.18 crore) and cheques deposited but not credited to an extent of Rs.2.60 crore (previous year Rs.5.84 crore) are under reconciliation. The impact of the above on the Profit & Loss, Assets and Liabilities could not be determined.

(b)Cash in transit include Rs.0.65 crore of net credits made by banks, which is under reconciliation. Pending reconciliation, we could not determine the effect on the Profit & Loss, Assets and Liabilities.

10. LOANS AND ADVANCES:

Advances to suppliers /Contractors (Schedule 7) include very old items and also some items for which supplies have already been received. In certain cases the credit is lying elsewhere in the accounts. These accounts need reconciliation and proper adjustments. Pending such adjustments, we could not determine the effect on the Profit & Loss, Assets and Liabilities.

11. PROVISIONS:

Reference is invited to Accounting Policy No.9 and Note No. 8 with regard to Provision for Pension and Gratuity liability. The provision for Pension and Gratuity liability for the employees who have joined before 01/02/1999 is made on an estimate basis. Gratuity liability for the employees joined on or after 01/02/1999 is provided at half month salary for each completed year of service for the eligible employees. Leave encashment benefit is provided based on actuarial valuation made in the year 2004-05 and extrapolating the liability for the subsequent period. Provision of these liabilities on the basis, as explained above, is not in accordance with Accounting Standard-15, Employee Benefits (Revised). The impact of the above could not be determined.

12. NET REVENUE FROM SALE OF POWER:

(a)A sum of Rs.677.41 crore is accounted as Fuel Surcharge Adjustment recoverable from the Consumers, based on the advice given by the Andhra Pradesh Power Co-ordination Committee (APPCC), which is subject to the approval of the Andhra Pradesh Electricity Regulatory Commission (APERC) . This may have effect on the accounts if the approval of the APERC is at variance with the calculations adopted by the APPCC.

(b)Reference is invited to Note No. 5 (b) with regard to accounting of accrued income on estimation basis. According to the information and explanations given to us accrued income accounted is lesser by Rs.28.99 crore (previous year Rs.12.12 Crore) than the actual billing made subsequently. This has an effect of understatement of Profit and Debtors by the said amount.

13. MISCELLANEOUS RECEIPTS: Miscellaneous Receipts includes:

(a)Rs.5.84 crore written back, being the balance amount lying in the Deposits received for deposit works. As proper intimation is not given to the customers with regard to the actual expenditure incurred as against the estimated amount deposited by the Consumer for their making a claim for refund, we are of opinion that taking these amount to income is not proper and resulted in profit for the year excess and liabilities less by the said amount.

(b)Rs.2.62 crore being the difference between the Excise Duties debited to the stock account and actual Excise Duty paid on purchases of stocks. The Excise Duty rates entered at the time of creation of Purchase Orders in the SAP are not updated, whenever there is change in the Duties. The stock values, capital expenditure/revenue expenditure to that extent has effected and the exact effect on the Profit & Loss and assets could not be ascertained.

(c)A sum of Rs.18.22 crore written back from deposits in respect of theft cases, contrary to the Accounting Policy No.2 (a) (iii).

#### 14. SALARIES, WAGES & BONUS:

Reference is invited to Accounting Policy No. 9 (c) and Note No. 8 (A) (f), wherein the basis has been stated that payment of Bonus and Exgratia is being accounted on payment. The impact, for the deviation from accrual concept, on Profit and Loss and Liabilities could not be ascertained.

#### 15. LEGACY ITEMS:

Net difference in the Second Transfer Scheme Variance Account amounting to Rs.15.22 crore is written back to income and Net difference in Data Migration Account amounting to Rs.19.17 crore is charged off to the Profit and Loss Account.

16. Reference is invited to Note No. 23 with regard Group Insurance and Family Benefit Fund Schemes. Salary recoveries are used within the business, instead of investing these funds outside the business. Interest paid on these schemes is debited to the Profit and Loss account. The impact on the accounts could not be ascertained.

17. The Company does not have any system of obtaining confirmations of balances from Sundry Debtors, Sundry Creditors, Bankers, financial institutions and other parties in respect of Loans, Advances, and Current Liabilities. Balances under these heads are subject to reconciliation and review. However, we have directly received confirmation of Balances from 10 banks only. The impact, if any, that may result on reconciliation and review of the balances under various heads in Current Assets and Current Liabilities could not be determined.

18. We are of the opinion that the unascertained amount is much higher than the ascertained amount that will have an effect on the Profit, Assets and Liabilities and furnishing the aggregate effect of only the ascertained amounts will not be appropriate. Hence we are not furnishing the aggregate effect of the ascertained amount on the profit, assets and liabilities.

#### III. Further to our comments in Paragraph I and II, 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 ;

(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 and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956, except to the extent of deviations stated in Paragraph II above ;

- (e) As the Company is a Government Company, provisions of Section 274 (1) (g) of the Companies Act, 1956 are not applicable to the Company;
- (f) In our opinion and to the best of our information and according to the explanations given to us, subject to our Comments in Paragraph II and Annexure referred to in paragraph I above and read with Significant Accounting Policies and Notes forming part of the Accounts (Schedule-18), 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 March 31, 2010;
- (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 flow for the year ended on that date.

For S R MOHAN & CO.,  
CHARTERED ACCOUNTANTS

Sd/-  
G. JAGADESWARA RAO  
Partner  
Membership No.021361

Date : 21.07.2010  
Place: Hyderabad

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## ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph I of our Report)

1. Fixed Assets:
  - (a)The Company has maintained Fixed Assets Register showing circle wise particulars. However quantitative details and situation of Fixed Assets were not stated. Details of all parcels of land in the possession of the Company are not available in the Fixed Assets Register.
  - (b)Reference is invited to Note No. 4.1 wherein it has been stated that it is the policy of the management to conduct physical verification once in three years. Accordingly no physical verification is conducted during the year.
  - (c)There was no substantial disposal of fixed assets during the year. The Gross Block, Accumulated Depreciation and Net Block are not adjusted for the value of assets scrapped during the year.
2. Inventory:
  - (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, and components etc., followed by the management is adequate and reasonable in relation to the size of the Company and nature of its business.
  - (c)The Company is maintaining proper records for stores, spare parts and components etc., and we are informed that no material discrepancies were noticed on physical verification, except in few cases, which have been properly dealt with in the books of account.
3. Loans and Advances: The Company has not granted or taken loans secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub-clauses (b), (c), (d), (e), (f) and (g) are not applicable.
4. Internal Control Systems: According to the information and explanations given to us, the Internal Control Systems are commensurate with the size of the Company and nature of its business for purchase of inventory, fixed assets and sale of services. However the internal control system needs to be strengthened with regard to SAP implementation in reconciliation of accounts, remittances in transit, inter unit accounts and accounting of capital and revenue work orders and stores accounting.
5. According to the information and explanations given to us, there were no transactions that need to be entered in the registers maintained under Section 301 of the Companies Act, 1956. Accordingly reporting under this clause is not applicable.
6. The Company has not accepted deposits from public within the meaning of the provisions of Section 58A and Section 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under.
7. The Company has an internal audit system. In our opinion the scope and the coverage needs to be enlarged.
8. Maintenance of Cost Records was prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 with effect from 01/04/2002. As per the information and explanations given to us, the Company has not maintained Cost records as per Cost Accounting Record (Electricity Industry), 2001. However, we are informed that the cost records are being compiled after completion of the Audit.
9. Statutory Dues:
  - (a)The Company is regular in depositing the undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other applicable statutory dues with 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.

Sl No.	Statute	Nature of Dues	Amount (Rs. In Crore)	Period to which it relates	Forum where dispute is pending
1	A.P. Tax on Entry of Goods in Local Areas Act, 2001	Entry Tax	33.25	2002-03	Supreme Court of India
2	A.P. General Sales Tax Act	Sales Tax	1.34	2001 to 2006	A.P. Sales Tax Appellate Tribunal
3	AP VAT Act, 2005	VAT	21.88	2005 to 2008	High Court of A.P.

10. 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 immediately preceding financial year.
11. According to the information and explanations given to us, we are of the opinion that the Company has not defaulted in payment of dues to the financial institutions and banks. The Company does not have any borrowings by way of debentures.
12. The Company has not granted any loans and advances on the security by way of pledge of shares, debentures and other securities. However, in case of staff housing loans, the Company has obtained mortgage of house property.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to Chit Fund and Nidhi/Mutual Benefit Fund/ Societies.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. As per the information and explanations given to us, we are of the opinion that the term loans are applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis, prima facie, have not been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956
19. The Company did not have outstanding debentures during the year.
20. The Company has not raised any money through issue of shares to the public during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no frauds were discovered during the year.

For S R MOHAN & CO.,  
CHARTERED ACCOUNTANTS

Sd/-  
G. JAGADESWARA RAO  
Partner  
Membership No.021361

Date : 21.07.2010  
Place : Hyderabad



## CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.

### BALANCE SHEET AS AT 31st MARCH, 2010

31.3.2010 నాటి ఆస్తి అప్పుల పట్టిక

Amount in Rs.

Particulars	Schedule	As at 31.3.2010	As at 31.3.2009
వివరములు	అనుసూచిక	31.3.2010 నాటికి	31.3.2009 నాటికి
<b>SOURCES OF FUNDS</b>			
నిధుల వనరులు			
<b>(1) Shareholders' Funds</b>			
వాటాదారుల నిధి			
(a) Share Capital	1	7,284,796,090	7,284,796,090
వాటా మూలధనము			
(b) Reserves and Surplus	2	12,641,733,673	11,170,485,997
నిధి మరియు మిగులు			
<b>(2) Loan Funds</b>			
అప్పుల నిధి			
(a) Secured Loans	3	13,622,305,978	9,407,441,214
హామీ రుణములు			
(b) Unsecured Loans		25,337,649,008	16,674,761,556
హామీ లేని రుణములు			
<b>Total</b>		<b>58,886,484,749</b>	<b>44,537,484,857</b>

### APPLICATION OF FUNDS

నిధుల వినియోగము

#### (1) Fixed Assets

స్థిర ఆస్తులు

(a) Gross Block

4

51,241,194,040

44,339,074,137

(b) Less: Accumulated Depreciation

23,332,565,471

20,379,605,706

(c) Net Block

27,908,628,569

23,959,468,431

(d) Capital Work-in-Progress

5

6,053,314,098

5,902,176,507

(2) Investments

6

241,360,306

241,245,306

పెట్టుబడులు

(3) <b>Deferred Tax Asset - net</b> వాయిదా వేయబడిన పన్ను		693,808,261	328,133,239
(4) <b>Current Assets, Loans &amp; Advances</b> చరాస్తులు, అప్పులు మరియు బయానాలు	7		
(a) Interest accrued on Investments పెట్టుబడులపై ఆర్జిత వడ్డీ		11,043,289	7,511,983
(b) Inventories సరుకు నిల్వ		616,546,233	894,934,095
(c) Sundry Debtors వివిధ ఋణగ్రస్తులు		19,056,611,556	10,364,184,262
(d) Cash & Bank Balances నగదు మరియు బ్యాంకు నిల్వలు		1,871,940,755	1,728,003,712
(e) Other Receivables ఇతర రాబడులు		46,419,449,996	38,685,873,281
(f) Loans & Advances అప్పులు మరియు బయానాలు		1,139,055,083	709,821,058
(g) Data Migration Accounts డాటా మైగ్రేషన్ ఖాతాలు		---	(184,517,841)
		<b>69,114,646,912</b>	<b>52,205,810,550</b>
<b>Less: Current Liabilities and Provisions</b> ప్రస్తుత అప్పులు మరియు కేటాయింపులు	8		
(a) Liabilities అప్పులు		44,901,695,562	38,248,771,557
(b) Provisions కేటాయింపులు		1,401,034,175	1,392,732,795
		<b>46,302,729,737</b>	<b>39,641,504,352</b>
<b>Net Current Assets</b> నికర చరాస్తులు		<b>22,811,917,175</b>	<b>12,564,306,198</b>
5. <b>Profit &amp; Loss Account (Debit Balance)</b> లాభ నష్టాల ఖాతా		<b>1,177,456,340</b>	<b>1,542,155,175</b>
<b>Total</b>		<b>58,886,484,749</b>	<b>44,537,484,857</b>

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 S R MOHAN & CO.,  
Chartered Accountants  
FRN 002111S

S/-  
M T KRISHNA BABU  
Chairman & Managing Director

S/-  
PRAJAGOPAL REDDY  
Director (Finance & IT)

Sd/-  
G JAGADESWARAO  
Partner

M.No. 021361  
Date : 21.07.2010  
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, 2010

**2009-10 నాటి లాభ/నష్టాల ఖాతా**

Amount in Rs.

Particulars వివరములు	Schedule అనుసూచిక	Year Ended 31st March 2010 31.3.2010 నాటికి	Year Ended 31st March 2009 31.3.2009 నాటికి
<b>INCOME:</b>			
<b>ఆదాయము</b>			
Gross Revenue from Sale of Power	9	79,148,920,388	65,783,678,982
విద్యుత్తు అమ్మకములనుండి స్థూల ఆదాయము			
Less: Electricity Duty		1,032,220,512	1,025,193,198
తగ్గింపు: విద్యుత్తు సుంకము			
<b>Net Revenue from Sale of Power</b>		<b>78,116,699,876</b>	<b>64,758,485,784</b>
విద్యుత్తు అమ్మకము నుండి వచ్చిన నికర ఆదాయము			
Revenue Subsidies and Grants	10	22,626,500,000	33,717,410,000
ప్రభుత్వ సహాయములు మరియు గ్రాంట్లు			
Other Income	11	5,150,551,028	3,967,294,251
ఇతర ఆదాయము			
<b>Total Income</b>		<b>105,893,750,904</b>	<b>102,443,190,035</b>
<b>మొత్తము ఆదాయము</b>			
<b>EXPENDITURE:</b>			
<b>వ్యయము</b>			
Purchase of Power	12	91,058,985,029	86,662,903,322
విద్యుత్తు కొనుగోలు			
Employees Cost	13	3,800,587,702	3,579,300,010
ఉద్యోగుల జీతభత్యాలు			
Administration and General Expenses	14	2,225,134,970	1,880,417,636
పరిపాలన మరియు సామాన్య వ్యయములు			
Other Expenses	15	1,218,314,238	3,984,937,244
ఇతర వ్యయములు			
Depreciation		2,952,959,764	2,609,270,407
తరుగుదల			
Interest and Finance charges	16	4,610,615,126	2,739,686,829
వడ్డీ మరియు ఆర్థిక వ్యయములు			
<b>Total Expenditure</b>		<b>105,866,596,829</b>	<b>101,456,515,448</b>
<b>మొత్తము వ్యయము</b>			

**Net Profit / (Loss) before Excess Consumer**

<b>Contribution withdrawal and prior period items</b>	<b>27,154,075</b>	<b>986,674,587</b>
నికర లాభము/నష్టము (వినియోగదారుల విరాళము నుండి ఉపసంహరణకు మరియు వెనుకటి సంవత్సరముల పద్దులకు ముందు)		
Excess Withdrawal of Depreciation from Consumer Contributed Assets (Refer Note No. 4.3)	---	590,372,957
స్థిర ఆస్తుల కొరకు వినియోగదారుల విరాళములనుండి అధిక ఉపసంహరణ		
Net Prior Period Credits / (Debits)	<b>17</b>	5,274,843
వెనుకటి సంవత్సరపు నికర జమలు		438,699
<b>Profit before Tax</b>	<b>32,428,918</b>	<b>396,740,329</b>
పన్నుకు ముందు లాభము		
<b>Less:</b> Provision for Taxation		
తగ్గింపు: ఆదాయపు పన్ను కేటాయింపు		
a) Income Tax - MAT (2009-10)	5,511,294	---
ఆదాయపు పన్ను - మ్యాట్ (2009-10)		
b) Income Tax - MAT (2008-09)	27,893,811	10,429,821
ఆదాయపు పన్ను - మ్యాట్ (2008-09)		
c) Deferred Tax	(365,675,022)	246,589,498
వాయిదా వేయబడిన పన్ను		
d) Fringe Benefit Tax	---	14,528,902
ఫ్రింజ్ బెనిఫిట్ పన్ను		
<b>Profit after Tax</b>	<b>364,698,835</b>	<b>125,192,108</b>
పన్ను తరువాత లాభము		
Balance of Loss brought over from previous year	(1,542,155,175)	(2,242,070,020)
వెనుకటి సంవత్సరము నుండి తీసుకురాబడిన నష్టము నిల్వ		
Less: Deferred Tax Asset upto 31.03.2008	---	574,722,737
31.03.2008 వరకు వాయిదా వేయబడిన పన్ను		
<b>Balance carried to Balance Sheet</b>	<b>(1,177,456,340)</b>	<b>(1,542,155,175)</b>
ఆస్తి అప్పుల పట్టికకు బదిలీ చేసిన నిల్వ		
Significant Accounting Policies and Notes on Accounts	<b>18</b>	

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 S R MOHAN & CO.,  
Chartered Accountants  
FRN 002111S

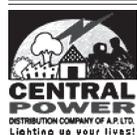
Sd/-  
M T KRISHNA BABU  
Chairman & Managing Director

Sd/-  
PRAJAGOPAL REDDY  
Director (Finance & IT)

Sd/-  
G JAGADESWARARAO  
Partner

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, 2010

	Year Ended 31st March, 2010		Year Ended 31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash flows from operating activities:</b>				
Net Profit before tax	32,428,918		396,740,329	
<b>Add:</b> Depreciation	2,952,959,764		2,609,270,407	
<b>Add:</b> Interest and Finance Charges	4,610,615,126		2,739,686,829	
<b>Less:</b> Withdrawal of Depreciation on Consumer Contributed Assets	1,287,284,793		1,072,770,812	
<b>Operating profit before working capital changes</b>	<b>6,308,719,015</b>		<b>4,672,926,753</b>	
<b>Changes in Working Capital :</b>				
(Increase)/Decrease in Interest Accrued on Investments	(3,531,306)		695,619	
(Increase)/Decrease in Sundry Debtors	(8,692,427,294)		1,205,960,625	
(Increase) / Decrease in Inventories	278,387,862		192,058,874	
(Increase)/ Decrease in Loans and Advances	(429,234,025)		(74,424,147)	
(Increase)/ Decrease in Other Receivables	(7,733,576,715)		(24,709,010,318)	
Increase / (Decrease) in Provisions	8,301,380		59,064,839	
Increase/ (Decrease) in Data Migration Account	(184,517,841)		(18,740,243)	
Increase/ (Decrease) in Other Current Liabilities	6,650,056,746		13,196,137,858	
Increase/ (Decrease) in Employee Liability	---		2,850,907	
Increase/ (Decrease) in Second Transfer Scheme	(298,015,538)		---	
<b>Cash generated from operations</b>	<b>(4,095,837,717)</b>		<b>(5,472,479,233)</b>	
Income taxes / Fringe Benefit Tax Paid	(33,405,105)		(14,528,902)	
<b>Net cash flow before extraordinary item</b>	<b>(4,129,242,822)</b>		<b>(5,487,008,135)</b>	
Excess Withdrawal of Consumer Contribution	---		590,372,957	
<b>Net cash flow from Operating Activities</b>	<b>(4,129,242,822)</b>		<b>(4,896,635,178)</b>	
<b>B. Cash flows from Investing Activities:</b>				
Purchases/Adjustments relating to fixed assets	(6,902,119,903)		(6,264,928,133)	
(Increase) / Decrease in Capital Work in Progress	(151,137,591)		106,546,213	
(Increase)/ Decrease in Investments	(115,000)		---	
<b>Net cash flow from investing activities</b>	<b>(7,053,372,494)</b>		<b>(6,158,381,920)</b>	
<b>C. Cash flows from Financing Activities:</b>				
Repayment of Secured Loans	(1,389,408,818)		(8,537,413,334)	
Proceeds from Secured Loans	5,562,673,583		20,437,884,889	
Proceeds from Unsecured Loans	29,472,600,000		---	
Repayment of Unsecured Loans	(20,768,112,548)		(317,471,550)	
Increase in Consumer Contributions	3,040,019,206		2,270,637,183	
Interest paid	(4,607,747,866)		(2,681,172,245)	
Increase in Contingency Reserve	16,528,801		18,031,609	
<b>Net cash used in Financing Activities</b>	<b>11,326,552,358</b>		<b>11,190,496,552</b>	
<b>Net Increase / Decrease in cash and cash equivalents during the year</b>	<b>143,937,043</b>		<b>135,479,454</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,728,003,712</b>		<b>1,592,524,258</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>1,871,940,755</b>		<b>1,728,003,712</b>	

For and on behalf of the Company

As per our report of even date

For SR MOHAN & CO.,  
Chartered Accountants  
FRN 002111S

Sd/-  
M T KRISHNA BABU  
Chairman & Managing Director

Sd/-  
PRAJAGOPAL REDDY  
Director (Finance & IT)

Sd/-  
G JAGADESWARARAO  
**Partner**

M.No. 021361  
Date : 21.07.2010  
Place: Hyderabad

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

Sd/-  
K.SUJATHA  
Company Secretary

### Schedule - 1 Share Capital

S.No	Particulars	As at 31.3.2010 Rs	As at 31.3.2009 Rs
<b>1</b>	<b>Authorised Share Capital</b>		
	1,00,00,00,000 Equity Shares of Rs 10 each	10,000,000,000	10,000,000,000
<b>2</b>	<b>Issued, Subscribed And Paid-up Capital</b>		
	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.		
	<b>TOTAL</b>	<b>7,284,796,090</b>	<b>7,284,796,090</b>

### Schedule - 2 Reserves And Surplus

S.No	Particulars	As at 31.3.2010 Rs	As at 31.3.2009 Rs
<b>1</b>	<b>CONSUMERS' CONTRIBUTION TOWARDS CAPITALASSETS:</b>		
	As per Last Balance Sheet	11,855,154,247	9,585,816,172
	Add: Received during the year	2,611,221,371	2,269,338,075
	<b>Sub Total (A)</b>	<b>14,466,375,618</b>	<b>11,855,154,247</b>
<b>2</b>	<b>SUBSIDIES TOWARDS COST OF CAPITALASSETS:</b>		
	As per Last Balance Sheet	714,974,926	714,974,926
	Add: Received during the year	(11,145)	---
	<b>Sub Total (B)</b>	<b>714,963,781</b>	<b>714,974,926</b>
<b>3</b>	<b>GRANTS / DONATIONS TOWARDS COST OF CAPITAL ASSETS :</b>		
	As per Last Balance Sheet	1,569,833,619	1,568,534,511
	Add: Received during the year	428,808,980	1,299,108
	<b>Sub Total (C)</b>	<b>1,998,642,599</b>	<b>1,569,833,619</b>
	<b>Total D= (A+B+C)</b>	<b>17,179,981,998</b>	<b>14,139,962,792</b>
	Add: Reversal of Excess withdrawal of Cost of Capital Assets F.Y. 2006 - 07	---	590,372,957
	Less: Withdrawal towards cost of Capital Assets	4,807,323,893	4,110,412,056
	<b>Total</b>	<b>12,372,658,105</b>	<b>10,619,923,693</b>
<b>4</b>	<b>STATUTORY RESERVES:</b>		
	<b>Contingency Reserve Fund</b>		
	As per Last Balance Sheet	252,546,766	234,515,157
	<b>Add:</b> Additions during the year	---	---
	<b>Add:</b> Interest received & reinvested	16,528,801	18,031,609
	<b>Total</b>	<b>269,075,567</b>	<b>252,546,766</b>
	<b>Less:</b> Deductions during the year	---	---
	<b>Total</b>	<b>269,075,567</b>	<b>252,546,766</b>
<b>5</b>	<b>Ind TRANSFER SCHEME VARIANCE ACCOUNT</b>	---	298,015,538
	<b>TOTAL</b>	<b>12,641,733,673</b>	<b>11,170,485,997</b>

### Schedule - 3 Loan Funds

S.No	Particulars	As at 31.3.2010 Rs	As at 31.3.2009 Rs
<b>1</b>	<b>SECURED LOANS</b>		
	<b>i) Loans and Advances from Banks</b>		
	a) SBH (Charge on Current Assets)	861,400,000	---
	b) Canara Bank	920,000,000	300,000,000
	c) Syndicate Bank	1,801,976,876	---
	d) Karnataka Bank	400,000,000	---
	<b>ii) From Others</b>		
	a) REC (Guaranteed by Government)	6,774,367,046	6,563,962,151
	b) PFC Ltd on Hypothecation of Future Assets	2,864,562,056	2,543,479,063
	<b>Sub-Total</b>	<b>13,622,305,978</b>	<b>9,407,441,214</b>
<b>2</b>	<b>UNSECURED LOANS</b>		
	<b>i) Short Term Loans from</b>		
	a) Allahabad Bank	---	2,000,000,000
	b) Bank of Baroda	1,500,000,000	2,250,000,000
	c) Indian Overseas Bank	1,500,000,000	---
	d) Bank of India	2,000,000,000	2,000,000,000
	e) Andhra Bank	3,722,600,000	2,000,000,000
	f) Punjab & Sind Bank	---	1,250,000,000
	g) Syndicate Bank	1,000,000,000	750,000,000
h)	UCO Bank	1,250,000,000	1,250,000,000
	i) Dena Bank	1,000,000,000	1,000,000,000
	j) South Indian Bank Ltd.	---	1,000,000,000
	k) Canara Bank	750,000,000	1,000,000,000
	l) Corporation Bank	1,250,000,000	---
	m) State Bank of Mysore	750,000,000	---
	n) State Bank of India	1,500,000,000	---
	o) State Bank of Hyderabad	3,500,000,000	---
	p) Vijaya Bank	2,000,000,000	---
	q) Federal Bank	750,000,000	---
	r) Development Credit Bank	500,000,000	---
	s) Oriental Bank of Commerce	750,000,000	---
	t) Tamilnadu Mercantile Bank	500,000,000	---
	<b>ii) Other Loans and advances</b>		
	a) Andhra Bank	326,706,233	393,154,961
	b) ICICI Bank Ltd	---	951,663,820
	c) Government of Andhra Pradesh	420,842,775	462,442,775
	d) APSEB Bonds 2004 Series	367,500,000	367,500,000
	<b>Sub-Total</b>	<b>25,337,649,008</b>	<b>16,674,761,556</b>
	<b>TOTAL</b>	<b>38,959,954,986</b>	<b>26,082,202,770</b>

## Schedule - 4 Fixed Assets

Sl. No.	Particulars	Gross Block			Depreciation & Amortization			Net Block			
		As at 1-04-2009	Additions during the year 2009-10	Deductions/ Adjustments during the year 2009-10	As at 31.03.2010	Up to 31-03-2009	For the year	Deductions / Adjustments during the year	Up to 31.03.2010	As at 31.03.2010	As at 31-03-2009
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	<b>TANGIBLE ASSETS</b>										
1	Land and Land rights	34,217,395	2,499,692		36,717,087	0		0	36,717,087	34,217,395	
2	Buildings	1,240,942,823	168,734,457		1,409,677,280	196,361,846	39,307,323	235,669,169	1,174,008,111	1,044,580,977	
3	Other Civil Works	167,937,325	96,841,510		264,778,835	5,042,286	6,281,052	11,323,338	253,455,497	162,895,039	
4	Plant and Machinery	17,945,508,533	3,476,698,972		21,422,207,505	7,429,599,985	1,237,548,849	8,667,148,834	12,755,058,671	10,515,908,548	
5	Lines and Cable Network	20,291,234,992	2,174,563,451		22,465,798,443	10,417,308,574	1,136,220,795	11,553,529,369	10,912,269,074	9,873,926,418	
6	Meters and Metering equipment	4,256,910,220	776,735,655		5,033,645,875	2,143,686,555	480,959,102	2,624,645,657	2,409,000,218	2,113,223,665	
7	Vehicles	36,690,451	1,370,131		38,060,582	32,035,960	446,873	32,482,833	5,577,749	4,654,491	
8	Furniture and Fixtures	44,216,089	11,652,549		55,868,638	26,131,752	3,304,374	29,436,126	26,432,512	18,084,337	
9	Office Equipment	302,971,245	140,546,647		443,517,892	119,567,878	40,132,166	159,700,044	283,817,848	183,403,366	
	<b>Sub - Total</b>	<b>44,320,629,073</b>	<b>6,849,643,064</b>		<b>51,170,272,137</b>	<b>20,369,734,836</b>	<b>2,944,200,534</b>	<b>23,313,935,370</b>	<b>27,856,336,767</b>	<b>23,950,894,236</b>	
10	Devolution	(113,075)	131,775		18,700				18,700	(113,075)	
	<b>TOTAL</b>	<b>44,320,515,998</b>	<b>6,849,774,839</b>		<b>51,170,290,837</b>	<b>20,369,734,836</b>	<b>2,944,200,534</b>	<b>23,313,935,370</b>	<b>27,856,355,467</b>	<b>23,950,781,161</b>	
11	Assets not in use (Plant & Machinery)	672,296	145,800		818,096				818,096	672,296	
	<b>TOTAL TANGIBLE ASSETS</b>	<b>44,321,188,294</b>	<b>6,849,920,639</b>		<b>51,171,108,933</b>	<b>20,369,734,836</b>	<b>2,944,200,534</b>	<b>23,313,935,370</b>	<b>27,857,173,563</b>	<b>23,951,453,457</b>	
	<b>INTANGIBLE ASSETS</b>										
12	Computer Software	17,885,843	52,199,264		70,085,107	9,870,870	8,759,231	18,630,101	51,455,006	8,014,973	
	<b>GRAND TOTAL</b>	<b>44,339,074,137</b>	<b>6,902,119,903</b>		<b>51,241,194,040</b>	<b>20,379,605,706</b>	<b>2,952,959,765</b>	<b>23,332,565,471</b>	<b>27,908,628,569</b>	<b>23,959,468,430</b>	
	<b>Grand Total of Previous Year</b>	<b>38,077,405,806</b>	<b>6,265,474,119</b>	<b>3,805,789</b>	<b>44,339,074,136</b>	<b>17,773,595,103</b>	<b>2,609,270,407</b>	<b>20,379,605,707</b>	<b>23,959,468,429</b>	<b>20,303,810,703</b>	

### Schedule - 5 Capital Work-In-Progress

S.No	Particulars	As at 31.3.2010 Rs	As at 31.3.2009 Rs
1	Capital Work-in-Progress	6,053,314,098	5,902,176,507
	<b>TOTAL</b>	<b>6,053,314,098</b>	<b>5,902,176,507</b>

### Schedule - 6 Investments

S. No	Particulars	As at 31.3.2010 Rs.	As at 31.3.2009 Rs.
	<b>LONG TERM INVESTMENTS (AT COST)</b>		
1	<b>Contingency Reserve Investments (On Trade)</b>		
	<b>Quoted</b>		
	a) 8.95% APTRANSCO Vidyut Bonds - 132 bonds of Face Value Rs.10,00,000 each (Market Value as on 31.03.2010 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 31.03.2010 Rs.10.1377 each)	11,329,000	11,329,000
	c) APPFC bonds - 11 bonds of Face Value Rs.10,00,000/- each (Market Value as on 31.03.2010 Rs.10,00,000 each)	11,000,000	11,000,000
	<b>Unquoted</b>		
	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	16,000,000
	f) Investment in APPDC Equity Fund (11500 Equity Shares of Face Value @ Rs.10 each)	115,000	---
	<b>Sub Total</b>	<b>224,457,606</b>	<b>224,342,606</b>
2	<b>Other Investments</b>		
	<b>Unquoted</b>		
	<b>Shares in Rural Electricity Supply Co-operative Societies (RESCO)</b>		
	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
	<b>Sub Total</b>	<b>16,902,700</b>	<b>16,902,700</b>
	<b>GRAND TOTAL</b>	<b>241,360,306</b>	<b>241,245,306</b>

## Schedule - 7 Current Assets Loans And Advances

S.No	Particulars	As at 31.3.2010 Rs.	As at 31.3.2009 Rs.
	<b>CURRENT ASSETS</b>		
<b>1</b>	<b>INTEREST ACCRUED ON</b>		
	- Investments	7,083,228	7,240,724
	- Others	3,960,061	271,259
	<b>TOTAL</b>	<b>11,043,289</b>	<b>7,511,983</b>
<b>2</b>	<b>INVENTORIES</b>		
	Stores and Spares	983,713,648	1,297,097,198
	<b>Add:</b> Materials stock (excess)/Shortage pending investigation	(359)	(793,412)
	<b>Less:</b> Provision for Recovery/Write Off of Cost of Material	367,167,056	401,369,691
	<b>TOTAL</b>	<b>616,546,233</b>	<b>894,934,095</b>
<b>3</b>	<b>SUNDRY DEBTORS</b>		
	<b>a) Outstanding for a period exceeding 6 months</b>		
	i) Considered Good	3,359,640,515	2,754,355,777
	ii) Considered Doubtful	4,672,026,610	4,747,633,454
		<b>8,031,667,125</b>	<b>7,501,989,231</b>
	Less: Provision for Doubtful Debts	4,672,026,610	4,747,633,454
	<b>TOTAL</b>	<b>3,359,640,515</b>	<b>2,754,355,777</b>
	<b>b) Other Debts</b>		
	i) Considered Good		
	- Unbilled Revenue Provision	13,358,497,113	5,907,810,228
	- Others	2,338,473,928	1,702,018,257
		<b>15,696,971,041</b>	<b>7,609,828,485</b>
	ii) Considered Doubtful	---	---
		<b>15,696,971,041</b>	<b>7,609,828,485</b>
	<b>TOTAL</b>	<b>19,056,611,556</b>	<b>10,364,184,262</b>
<b>4</b>	<b>a) Cash balance on Hand</b>	353,569,925	128,119,714
	<b>b) Balance with Scheduled Banks:</b>		
	i) Current Accounts	810,605,820	861,188,760
	ii) Fixed Deposits	497,880,310	382,240,806
	c) Cash in Transit	209,884,700	356,454,432
		<b>1,871,940,755</b>	<b>1,728,003,712</b>
<b>5</b>	<b>OTHER RECEIVABLES</b>		
	a) from Government of Andhra Pradesh	44,786,412,061	30,542,173,964
	b) from APSEE Master P& G Trust	274,463,638	266,433,524
	c) Receivable from APPCC	333,256,860	6,779,316,534
	<b>d) from Others</b>		
	i) Inter Unit Accounts	123,277,311	378,667,192
	ii) Amount Receivable from Employees & Others	83,390,410	168,622,917
	iii) Scrap Devolution/Scrap Sale Release	33,366,767	69,803,391
	iv) ACD/CD Arrears Receivable	9,140,935	5,514,877
	v) Receivables - RESCOs	522,019,022	---
	vi) Others	254,122,992	475,340,882
	<b>Sub - Total - 'd'</b>	<b>1,025,317,437</b>	<b>1,097,949,259</b>
	<b>TOTAL</b>	<b>46,419,449,996</b>	<b>38,685,873,281</b>

<b>6</b>	<b>LOANS AND ADVANCES</b>		
	a. Loans/Advances to Staff (Considered Good)	19,546,619	6,337,723
	<b>b. Amount recoverable in cash or in kind or for value to be received (Considered Good except as stated in Note No.13)</b>		
	i) Advances for Suppliers/Contractors	178,960,787	195,128,185
	ii) Share Application Money	473,485,000	---
	iii) Tax Deducted at Source	9,765,361	7,654,619
	iv) Advance Tax	3,723,790	---
	v) Deposits with Others	453,427,247	496,816,987
	vi) Prepaid Expenses	146,279	3,883,544
	<b>TOTAL</b>	<b>1,139,055,083</b>	<b>709,821,058</b>
<b>7</b>	<b>Data Migration Accounts</b>	---	(184,517,841)
	<b>Grand Total</b>	<b>69,114,646,912</b>	<b>52,205,810,550</b>

### Schedule - 8 Current Liabilities And Provisions

S.No	Particulars	As at 31.3.2010 Rs	As at 31.3.2009 Rs
<b>1</b>	<b>CURRENT LIABILITIES</b>		
	a) Sundry Creditors (Net)	19,077,626,252	9,136,890,702
	<b>b) For Others</b>		
	i) APCPDCL P & G Trust	279,197,240	252,167,203
	ii) Discom GPF Trust	281,404,703	291,111,237
	iii) Creditors for Expenses (Net)	76,661,009	83,327,634
	iv) Entry Tax	113,708,296	113,978,039
	v) TDS	4,631,128	9,693,531
	vi) Employee Liabilities	304,069,232	286,902,798
	vii) Other Liabilities	4,319,203,812	9,493,863,431
	viii) Advances from HT Consumers	256,896,486	260,619,970
	c) Security and Other Deposits	1,405,618,652	1,628,923,380
	d) Security Deposits from Consumers (including Interest thereon)	12,680,379,749	11,040,342,535
	e) Payable to APTRANSCO	310,604,941	780,027,987
	f) Payable to EPDCL	3,264,375,291	3,176,960,337
	g) Payable to NPDCL	439,175,265	481,371,866
	h) Payable to SPDCL	1,590,094,629	930,530,750
	i) Payable to Government of Andhra Pradesh	436,667,033	223,545,572
	j) Interest Accrued but not due	61,381,844	58,514,584
	<b>Sub Total</b>	<b>44,901,695,562</b>	<b>38,248,771,556</b>
<b>2</b>	<b>PROVISIONS</b>		
	a) Provision for Leave Encashment	1,352,210,900	1,353,513,777
	b) Provision for Gratuity	43,311,981	27,255,265
	c) Provision for Income Tax	5,511,294	11,963,753
	<b>Sub Total</b>	<b>1,401,034,175</b>	<b>1,392,732,795</b>
	<b>TOTAL</b>	<b>46,302,729,737</b>	<b>39,641,504,351</b>

## Schedule - 9 Revenue From Sale Of Power

S.No	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
	<b>Revenue from Sale of Power</b>		
<b>1</b>	<b>L.T. Supply</b>		
	Cat.-I Domestic	15,352,870,291	11,858,233,147
	Cat.-II Non-Domestic	10,046,529,925	8,760,490,488
	Cat-III Industrial	5,415,128,233	4,870,611,252
	Cat-IV Cottage Industries	36,013,713	30,048,046
	Cat-V Agriculture	86,022,726	104,105,700
	Cat-VI Street Lights	1,669,729,505	1,210,604,444
	Cat-VII General Purpose	256,668,183	220,770,769
	Cat-VIII Temporary Supply	24,576,376	29,342,157
	Others	2,268,975	(1,627,053)
	<b>Sub-Total (LT-Supply)</b>	<b>32,889,807,927</b>	<b>27,082,578,950</b>
<b>2</b>	<b>H.T. Supply</b>		
	Cat.I Industrial	33,839,806,840	27,805,059,381
	Cat.II Non-Industrial	7,026,118,723	6,074,208,416
	Cat.IV Agricultural	958,142,381	697,633,097
	Cat.V Railway Traction	487,648,045	406,100,008
	Cat.VI Residential	440,150,267	338,911,744
	Cat. VIII Temporary Supply	68,572,491	86,349,665
	Others	3,320,556	11,798,705
	<b>Sub-Total (HT Supply)</b>	<b>42,823,759,303</b>	<b>35,420,061,016</b>
<b>3</b>	<b>DD Revenue</b>	597,072,526	517,426,024
	Inter State Sales	193,532,111	218,840,162
	<b>Sub-Total</b>	<b>790,604,637</b>	<b>736,266,186</b>
<b>4</b>	<b>Wheeling Charges</b>	549,791	108,062
<b>5</b>	<b>Electricity Duty Recoveries</b>	1,032,220,512	1,025,193,198
<b>6</b>	<b>Theft of Power/Malpractice</b>	120,629,049	127,968,763
<b>7</b>	<b>LT Customer Charges</b>		
	Cat.-I Domestic	1,024,469,519	954,880,023
	Cat.-II Non-Domestic	150,809,171	143,028,311
	Cat-III Industrial	28,761,664	26,067,040
	Cat-IV Cottage Industries	1,265,843	1,230,842
	Cat-V Agriculture	220,599,963	207,828,456
	Cat-VI Street Lights	15,605,497	14,567,823
	Cat-VII General Purpose	4,677,761	4,257,042
	Cat-VIII Temporary Supply	37,019	46,793
	<b>Sub-Total (LT Cust. Chg.)</b>	<b>1,446,226,437</b>	<b>1,351,906,330</b>

<b>8</b>	HT Customer Charges		
	Cat.I Industrial	25,930,670	23,390,334
	Cat.II Non-Industrial	16,066,629	13,752,753
	Cat.IV Agricultural	2,008,204	1,401,502
	Cat.V Railway Traction	54,160	54,056
	Cat.VI Residential	852,262	788,228
	Cat. VIII Temporary Supply	210,807	209,604
	<b>Sub-Total (HT Cust. Chg.)</b>	<b>45,122,732</b>	<b>39,596,477</b>
	<b>Total</b>	<b>79,148,920,388</b>	<b>65,783,678,982</b>

### Schedule - 10 Revenue Subsidies & Grants

S.No.	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
1	Tariff Subsidy	10,277,100,000	327,600,000
2	Additional Subsidy For Expensive Power	12,349,400,000	33,389,810,000
	<b>TOTAL</b>	<b>22,626,500,000</b>	<b>33,717,410,000</b>

### Schedule - 11 Other Income

S.No.	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
1	Interest on Staff Loans and Advances, FDR's		
	a) Staff Loans & Advances	292,591	557,762
	b) Fixed Deposits & Others	28,669,666	19,277,144
2	Surcharge/Interest on ACD/CD Arrears	108,624,345	44,089,483
3	DPS Charges from Consumers	921,501,270	754,719,059
4	Miscellaneous Receipts		
	i) Rebate on Power Purchase	1,086,099,095	839,878,016
	ii) Fines & Penalties from Suppliers & Contractors	77,777,389	11,572,526
	iii) Profit on Sale of Scrap	14,438,888	22,914,712
	iv) Excess found on Physical Stock Verification	986,050	447,989
	v) Sale of Tender Schedules	7,353,117	9,091,015
	vi) Rental from Contractors	2,712,300	3,168,592
	vii) Other Income	879,873,701	741,658,160
	viii) Capacitor Surcharge	296,647,686	99,633,097
	ix) Interest on ED	17,371,074	12,718,281
	x) Application Registration Fees	11,420,983	14,893,908
	xi) Supervision Charges	227,785,887	227,160,486
	xii) Miscellaneous Income	181,712,192	92,743,208
	<b>Sub-Total (Miscellaneous Receipts)</b>	<b>2,804,178,362</b>	<b>2,075,879,990</b>
5	Withdrawal from Consumer Contribution towards Depreciation on Fixed Assets	1,287,284,793	1,072,770,812
	<b>Total</b>	<b>5,150,551,028</b>	<b>3,967,294,250</b>

### Schedule - 12 Purchase Of Power

S.No.	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
1	Purchase of Power from Generators, etc.	91,058,985,029	86,662,903,322
	<b>Total</b>	<b>91,058,985,029</b>	<b>86,662,903,322</b>

### Schedule - 13 Employee Cost

S.No.	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
1	Salaries, Wages and Bonus	3,395,329,065	3,113,412,782
2	Directors Remuneration and Allowances	6,279,333	4,873,409
3	Pension Contribution & Terminal Benefits	710,578,405	761,012,030
4	Employees Welfare expenses	11,042,619	32,811,088
	<b>Sub-Total</b>	<b>4,123,229,422</b>	<b>3,912,109,309</b>
5	<b>Less: Employees Cost Capitalised</b>	<b>322,641,720</b>	<b>332,809,299</b>
	<b>Total</b>	<b>3,800,587,702</b>	<b>3,579,300,010</b>

## Schedule - 14 Administration &amp; General Expenses

Sl.No	Particulars	For the year 2009-10		For the year 2008-09	
		Rs.	Rs.	Rs.	Rs.
1	Licence fees - APERC		21,148,128		19,497,900
2	Repairs and Maintenance to a) Plant and Machinery b) Buildings & Civil works c) Vehicles d) Others	1,349,865,786 12,261,112 38,929,342 112,357,951		1,101,987,980 13,383,284 43,357,329 4,143,667	
3	Vehicle Hire charges		123,705,995		1,162,872,260
4	Rent		11,205,961		133,350,529
5	Rates & Taxes		30,280,995		21,761,847
6	Insurance		965,236		16,486,507
7	Telephone Charges		41,633,495		1,056,428
8	Postage & Telegrams		1,947,313		35,519,382
9	Legal Charges		4,545,501		1,994,631
10	Audit Expenses and Fees : of which a) Audit Fee b) Out of Pocket Expenses	803,000 150,000		764,510 150,000	
11	Consultancy Charges		953,000		914,510
12	Professional Charges		9,275,540		6,274,550
13	Other Professional Charges		15,613,405		17,248,188
14	e-Seva Transaction Charges		140,952,820		138,476,409
15	Consumer Service Centre Charges		29,916,362		23,288,676
16	AP Online Charges		15,469,065		12,043,221
17	Printing & Stationery		7,379,237		5,716,416
18	Advertisement		30,294,225		28,772,872
19	Electricity Charges		21,055,416		14,158,286
20	Conveyance and Traveling Expenses		46,521,329		40,376,049
21	Sittings Fee		171,025,205		182,053,741
22	Other Expenses		54,000		64,000
	<b>Sub Total</b>		<b>44,721,222</b>		<b>69,851,002</b>
	<b>Less: Administration &amp; General Capitalized</b>		<b>2,282,077,641</b>		<b>1,939,148,696</b>
	<b>Total</b>		<b>56,942,671</b>		<b>58,731,060</b>
			<b>2,225,134,970</b>		<b>1,880,417,636</b>

### Schedule - 15 Other Expenses

S.No	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
1	Compensation for Injuries,Death & Damages	14,776,634	18,452,266
2	Rebate on Power Bills	835,386	3,411,675
3	Doubtful Debts Provided for	---	607,717,000
4	Bad Debts Written Off	29,482,080	1,739,521,856
5	H T Incentive	977,581,248	1,496,459,779
6	Other Costs	195,638,890	119,374,668
<b>Total</b>		<b>1,218,314,238</b>	<b>3,984,937,244</b>

### Schedule - 16 : Interest And Finance Charges

S.No	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
1	Interest on State Government Loans	144,967	9,275,572
2	Interest on REC Loans	638,977,298	583,232,501
3	Interest on PFC Loans	269,893,710	179,717,756
4	Interest on APSEB Bonds (2004)	42,630,000	42,630,000
5	<u>Interest on loans from Banks:</u>		
	i) ICICI Bank	45,875,770	75,207,882
	ii) Andhra Bank	45,313,687	30,904,666
6	Other Interest/Finance Charges	3,783,564,488	2,117,465,060
	<b>Sub-Total</b>	<b>4,826,399,920</b>	<b>3,038,433,437</b>
	Less: Interest and Finance Charges Capitalised	215,784,794	298,746,608
<b>Net</b>		<b>4,610,615,126</b>	<b>2,739,686,829</b>

### Schedule - 17 : Net Prior Period Credits/ (Charges)

S.No	Particulars	For the year 2009-10 Rs.	For the year 2008-09 Rs.
<b>1</b>	<b>Income relating to Prior Years</b>		
	a) Receipts Prior Period	(96,693,455)	(4,906,734)
	b) Other Excess Provisions	57,409,908	(24,504,976)
	<b>Sub-Total</b>	<b>(39,283,547)</b>	<b>(29,411,710)</b>
<b>2</b>	<b>Prior Period Expenses / Losses</b>		
	a) Operating Expenses	(44,558,390)	(29,857,165)
	b) Interest & Other Finance Charges	---	6,756
	<b>Sub-Total</b>	<b>(44,558,390)</b>	<b>(29,850,409)</b>
<b>Net Prior Period Credits/ (Charges)</b>		<b>5,274,843</b>	<b>438,699</b>

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## CENTRAL POWER DISTRIBUTION COMPANY OF A P LIMITED

### 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) 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 of expenditure incurred on respective Work Orders of the Scheme.

##### 5. CONSUMERS' CONTRIBUTIONS, GRANTS AND SUBSIDIES FOR 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 29<sup>th</sup> March, 1994.
- b) Depreciation is calculated from the date of capitalisation or procurement of the asset.

## **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 lower of cost and net realizable value. Cost is determined 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.

## **10. TAXES ON INCOME**

- a) Current Tax is determined as per the provisions of the Income Tax Act, 1961.
- b) Deferred tax asset/liability is recognized subject to the consideration of prudence on timing differences, being the difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- c) Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## **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. THIRD TRANSFER SCHEME BALANCES**

- (a) The Government of Andhra Pradesh (GoAP) vide G.O.Ms. No.58, Energy (Power-III), dtd: 7-6-2005 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 APCPDL is 46.06%. This G.O. shall be deemed to have come into force with retrospective effect from 09-06-2005. The retrospective implementation of the GO involves so many calculations, revisions, etc. The Andhra Pradesh Power Co-ordination Committee (APPCC) has requested the GoAP to amend the date of implementation from April, 2008 onwards.

The accountal of Purchase of Power in Schedule 12 is based on the revised share of 46.06%.

- (b) 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.

### 3. SECURED LOANS

The Loans from REC, PFC, Canara Bank, Syndicate Bank, & Karnataka Bank are secured by the hypothecation of Fixed Assets, created /to be created under the scheme financed by the respective Institutions/Banks. Additionally, the loan from REC is secured by the guarantee of GoAP. The loan from SBH is secured by Current Assets of the Company.

### 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.

The details of Fixed Assets of the Company as on 31-03-2010 are as follows-

<b>Rs. Crores</b>		
<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>
Gross Block Value	5,124.12	4,433.91
Accumulated Depreciation	2,333.26	2,037.96
Net Block Value	2,790.86	2,395.95

The Gross block value of fixed assets is net of devolution of assets to stores amounting to NIL (Previous year Rs.0.01 crores)

**4.2** The assets have been insured wherever considered essential.

**4.3 Consumer Contributed Assets:** During the year 2009-10, the Company has received Consumer Contribution (including Subsidies, Grants and Donations towards Cost of Capital Assets) amounting to Rs.304.00 crores (Previous year Rs.227.06 crores). In proportion in which depreciation on the concerned assets has been charged during the year 2009-10, an amount of Rs.128.73 crores (Previous year Rs.107.28 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 29<sup>th</sup> 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-

<b>Description of Asset</b>	<b>Schedule XIV Rates</b>	<b>MoP Rates</b>
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.21.58 crores (Previous year Rs.29.87 crores) has been capitalized during the year.

## 5. REVENUE:

- During the year 2009-10 the Company is eligible for Tariff Subsidy Rs.1027.71 crores (Previous Year Rs.32.76 crores) and Additional Subsidy for Expensive Power aggregating to Rs.1234.94 crores (Previous Year Rs.3338.98 crores).
- As per Company's accounting policy, unbilled revenue (including Delayed Payment Surcharge) as at the year end of the financial year has been provided in the books of accounts on estimation basis which works out to Rs.658.45 crores (Previous Year Rs.590.78 crores). As per actual billing the amount works out to Rs.687.44 crores (Previous Year Rs.602.90 crores). Additionally, Rs.677.40 crores (Previous Year Rs.NIL) towards FSA provided as unbilled revenue is subject to approval by the APERC.
- 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 2009-10 works out to Rs.10.42 crores (Previous Year Rs.8.14 crores).

## 6. INVENTORIES:

- Net Realizable value has been obtained and compared with the cost in respect of all major materials.
- Inventories are valued at lower of cost and net realizable value.
- During the year under review, the Company has, based on Stock Verification Reports for the financial year 2009-10, written back Rs.3.34 crores ( Previous Year Rs. NIL) for non-moving, slow moving, short and obsolete inventories.

## 7. SUNDRY DEBTORS:

The details of Sundry Debtors as on 31-03-2010 (net of credit balances) are given below:

**Rs. Crores**

Particulars	As on 31.03.2010	As on 31.03.2009
Court Cases	248.69	217.13
R.R. Act	52.82	73.84
Disconnected / Bills Stopped	165.52	157.24
Others *	569.98	472.19
	<b>1037.01</b>	<b>920.40</b>
Add: Unbilled Revenue Provision	1335.85	590.78
	<b>2372.86</b>	<b>1511.18</b>
Less: Provision for Doubtful Debts	467.20	474.76
<b>Sundry Debtors</b>	<b>1905.66</b>	<b>1036.42</b>

\* Includes Rs.2.68 crores (Previous year Rs.8.04 crores) representing the amount realized and not adjusted against individual consumers and Rs.25.69 crores (Previous year Rs.26.06 crores) negative balances of HT Consumers.

**8. 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.49.07 crores (Previous Year Rs.47.12 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.27.92 crores to APCPDCL P & G Trust as on 31-03-2010 (Previous Year Rs.25.21 crores)

c) APSEE Master P & G Trust owes Rs.27.45 crores (Previous Year Rs.26.64 crores) to the Company as on 31-03-2010.

d) The Company owes Rs. 28.14 crores (Previous Year Rs.29.11 crores) to APCPDCL GPF Trust. Interest on GPF for the financial year 2009-10 of Rs. 2.14 crores (Previous Year Rs. 2.26 crores) has been debited to Profit and Loss Account.

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.1.60 crores (Previous Year Rs.1.33 crore).

f) No Bonus has been paid by the Company during the year ended March 31, 2010. Ex-gratia payment during the year amounts to Rs.1.25 crore. (Previous Year Rs.2.05 crore.).

**B) Leave Encashment**

During the year an amount of Rs.11.22 crores (Previous Year Rs.14.30 crores) has been incurred towards Leave Encashment 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 31-03-2010 and, accordingly, has made a provision of Rs.11 crores towards Leave Encashment during the year (Previous Year Rs.20 crores).

**OTHERS:**

9. The differences in II Transfer Scheme Variance Account and Data Migration Account of Rs.15.22 crores (Credit) and Rs.19.17 crores (Debit) respectively, have been adjusted in books of accounts since the considerable time for claim from field units has been lapsed.

10. The Company is in the process of reconciling other claims under Inter Unit accounts balance amounting to Rs.12.33 crores (Previous Year Rs.37.87 crores).

11. Remittances-in-transit of Rs.0.65 crores (Cr.) (Previous Year Rs.27.89 crores (Dr.)) is on account of excess credit given by SBH and other Banks. The same will be reconciled with the bank authorities.
12. Bank Reconciliation Statement shows the following unreconciled items to end of 31 March 2010.
  - a) Unidentified Credits in Bank Statements Rs.3.73 crores; and
  - b) Cheques deposited by the Company but not credited by the bank Rs.2.60 Crores.
13. The amount of 'Deposits with Others' Rs.45.34 crores (Previous Year Rs.49.68 crores) includes an amount of Rs.17.23 crores (Previous Year Rs.17.23 crores) towards disputed Entry Tax and Sales Tax deposited by the Company with the Commercial Tax Officer as per Orders of APSTAT and Honorable High Court.
14. The Company is in the process of identifying the Micro, Small and Medium Enterprises as defined under "The Micro, Small and Medium Enterprises Development Act, 2006". However, the Company is prompt in making payments to all Enterprises as per Purchase Order terms.
15. 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.

However the Company has incorporated the balances of Sundry Debtors and Consumer Security Deposits of Sanjay RESCO and Kadiri (East & West) in the books of accounts as detailed below-

**Rs. Crores**

<b>RESCO</b>	<b>Sundry Debtors</b>	<b>Consumer Security Deposit</b>
Sanjay RESCO	16.50	0.47
Kadiri East	26.46	0.21
Kadiri West	5.89	0.15

**16. INVESTMENTS:**

16.1 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.

16.2 Gross Interest earned on Investments earmarked for Contingency Reserve Fund are reinvested.

**17. During the process of Internal Audit:**

17.1 Financial misappropriation of Rs.1.38 crores was noticed at Kurnool ERO. Consequent to Departmental Proceedings and Enquiries, one of the employees has been dismissed from service. The terminal/pensionary benefits of four employees have been withheld as they have retired from service. WP Nos. 26987/2005, 1565/2006, 803/2007, 854/2009 and 687/2009 are pending in the Hon'ble High Court of Andhra Pradesh.

17.2 Financial misappropriation of Rs.0.06 crores has been noticed at Gadwal ERO due to non-accounting of cash collection in the Cash Book. Pursuant to Departmental proceedings, the concerned employee has been dismissed from service. An amount of Rs.0.009 crores has since been recovered from him.

- 17.3 Unauthorized credits of Rs.0.222 crores were noticed in Customers' Accounts in Jeedimetla ERO. Presently, these Customers' Accounts are in Medchal ERO consequent to bifurcation of Jeedimetla ERO. An amount of Rs.0.217 crores has since been recovered. Management has initiated necessary disciplinary proceedings against the concerned staff.
- 17.4 Financial misappropriation of Rs.0.04 crores was wrongly credited to the Cashier's bank account instead of Employees concerned bank account in Bhongir Division, Nalgonda Circle. The departmental proceedings and enquiries are in process.
- 17.5 Theft of materials in field worth Rs.0.46 crores was detected in Nalgonda, Anantapur and Medak Circles. FIRs have been lodged in the concerned Police Stations and Investigation Reports are awaited.
18. In the FY 2007-08, E-Seva, a Collection Agent of the Company, has made 90,79,256 transactions of Rs.814.46 crores through On-line, out of which, 1,796 transactions of Rs.0.67 Crores has been charged-back to the Company during the Financial Years 2008-09 and 2009-10 (upto June 2009) on account of misuse of Credit Cards and Online Internet payments. The Company has debited the concerned consumers for the charge-back amount along with surcharge for delay and additional amount for charge-back. During the financial year 2009-10, Rs.0.54 crores were realized.
19. i) The loans made by the company to the employees for House Building are secured and other loans and advances are unsecured.
- ii) As per the Company's Policy, interest on loans given to employees is recovered immediately after repayment of the principal loan amount.
20. Income-tax assessments for the Assessment Years 2008-09 & 2009-10 are 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 'additions' in Assessment Years 2005-06 & 2006-07 with C.I.T. (Appeals)-II. The Company is of the opinion that no provision is necessary in respect of disputed additions. Any further provision required in respect of disputed addition will be considered on completion of Appellate Proceedings.
21. Sales-Tax assessments for the years 2007-08 & 2008-09 are pending.
22. No Capacitor lease rental payments have been made during the year since the lease period has been completed.
23. **SAVINGS FUND AND 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 31.03.2010 is Rs.2.02 crores (Previous Year Rs.1.62 crores).

During the year the Interest on Savings Fund of Rs.0.57 crores (Previous Year Rs.0.53crores) 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.0.25 Crores (Previous Year Rs.0.32 Crores) has been paid and is shown under the Head 'Interest and Finance Charges' in Schedule-16.

24. 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 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 27	Financial Reporting of Interest in Joint Ventures

## 25. DEFERRED TAX :

The Break-up of Deferred Tax Assets as on 31<sup>st</sup> March, 2010 is as follows:

Particulars	Rs. Crores	
	As on 31.03.2010	As on 31.03.2009
A) <u>DEFERRED TAX ASSET:</u>		
Carry forward unabsorbed losses, Depreciation	158.35	103.31
B) <u>DEFERRED TAX LIABILITY:</u>		
Timing difference in Depreciable Assets	88.97	70.50
Net Deferred Tax Asset (A-B)	69.38	32.81

## 26. QUANTITATIVE INFORMATION:

	(Qty.MUs)	
	2009-10	2008-09
Energy Input ( Net )	31932.92	28,942.24
Sale of Energy	26609.56	24,039.99

**27. CONTINGENT LIABILITIES:**

The Company is contingently liable in respect of:

Sl.No.	Particulars	Rs. Crores	
		2009-10	2008-09
i.	Claims against the Company not acknowledged as debts	11.62	8.77
ii.	Other amounts for which the Company is contingently liable	4.26	4.26
iii.	Capital commitments not provided for	161.52	198.11
iv.	Disputed Entry Tax	33.25	33.25
v.	Sales Tax Penalty for purchase of Cement against G Form	1.34	1.34
vi.	Liability under AP VAT Act 2005 (April 2005 to July 2008)	21.88	21.88
vii.	Liability on waiver of monthly Minimum Charges	NIL	0.20

28. Figures have been rounded off to the nearest rupee.

29. Previous year figures have been regrouped, rearranged wherever considered necessary.

For and on behalf of the Company

As per our report of even date

For S R MOHAN & CO.,  
Chartered Accountants  
FRN 002111S

Sd/-  
M T KRISHNA BABU  
**Chairman & Managing Director**

Sd/-  
PRAJAGOPAL REDDY  
**Director (Finance & IT)**

Sd/-  
G JAGADESWARARAO  
**Partner**  
M.No. 021361  
Date : 21.07.2010  
Place: Hyderabad

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

Sd/-  
K.SUJATHA  
**Company Secretary**

## Average Realisation from Sale of Power for FY 2009-10

Consumer Category	No. of Consumers	Sales (MU)	Revenue (Rs.Crs)	% of Units Sold	Average Realisation (Rs/Unit)	2008-09 Average Realisation (Rs/Unit)	HT Incentive (Rs. Crs)
L.T. Cat.-I Domestic	4979918	5002.45	1,535.20	30.77	3.07	2.65	-
L.T. Cat.-II Non-Domestic	643806	1603.71	1,005.06	9.86	6.27	5.92	-
L..T.Cat-III Industrial	52334	1127.01	541.36	6.93	4.80	4.42	-
L.T. Cat-IV Cottage Industries	5268	15.33	3.60	0.09	2.35	1.95	-
L.T. Cat-V Agriculture	899600	7749.03	8.60	47.66	0.01	0.01	-
L.T. Cat-VI Street Lights	65225	698.70	167.05	4.30	2.39	1.99	-
L.T. Cat-VII General Purpose	19939	59.63	25.67	0.37	4.30	3.99	-
L.T. Cat-VIII Temporary Supply	131	3.18	2.46	0.02	7.73	8.51	-
<b>L.T. Total</b>	<b>6666221</b>	<b>16259.03</b>	<b>3,288.98</b>	<b>100.00</b>	<b>2.02</b>	<b>1.84</b>	<b>-</b>
H.T. Cat.I Industrial	2979	8524.85	3,383.94	82.36	3.97	3.64	97.75
H.T. Cat.II Non-Industrial	1866	1245.75	702.79	12.04	5.64	5.12	-
H.T. Cat.IV Agricultural	221	380.33	96.00	3.67	2.52	2.28	-
H.T. Cat.V Railway Traction	3	105.51	48.76	1.02	4.62	4.01	-
H.T. Cat.VI Residential	97	87.12	44.01	0.84	5.05	3.98	-
RESCO	0	0.00	-	0.00	0.00	0.00	-
H.T. Temp.	20	6.97	6.85	0.07	9.83	8.88	-
<b>H.T. Total</b>	<b>5186</b>	<b>10350.53</b>	<b>4282.38</b>	<b>100.00</b>	<b>4.14</b>	<b>3.80</b>	<b>97.75</b>
<b>L.T. + H.T. Total</b>	<b>6671407</b>	<b>26609.56</b>	<b>7,571.36</b>	<b>100.00</b>	<b>2.85</b>	<b>2.60</b>	<b>97.75</b>
<b>Add: Electricity Duty</b>			<b>106.89</b>				
<b>Gross Revenue</b>			<b>7,678.25</b>				

## 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	1	0
---	---	---	---	---	---	---	---

**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  

			1	0	5	1	8	9	2	1	3
--	--	--	---	---	---	---	---	---	---	---	---

Total Assets  

			1	0	5	1	8	9	2	1	3
--	--	--	---	---	---	---	---	---	---	---	---

**Sources of Funds**
Paid-up Capital  

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

Reserves & Reserve Funds  

				1	2	6	4	1	7	3	4
--	--	--	--	---	---	---	---	---	---	---	---

Un Secured Loans  

			2	5	3	3	7	6	4	9
--	--	--	---	---	---	---	---	---	---	---

Secured Loans  

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

Application of Funds

Net Fixed Assets  

			2	7	9	0	8	6	2	8
--	--	--	---	---	---	---	---	---	---	---

Investments  

					2	4	1	3	6	0
--	--	--	--	--	---	---	---	---	---	---

Net Current Assets  

			2	2	8	1	1	9	1	7
--	--	--	---	---	---	---	---	---	---	---

Misc Expenditure  

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

Accumulated Losses  

			1	1	7	7	4	5	6
--	--	--	---	---	---	---	---	---	---

**IV Performance of Company (Rs. In Thousands)**
Turnover  

		1	0	5	8	9	3	7	5	1
--	--	---	---	---	---	---	---	---	---	---

Total Expenditure  

		1	0	5	8	6	1	3	2	2
--	--	---	---	---	---	---	---	---	---	---

Profit/(Loss) Before Tax  

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

Profit/(Loss) After Tax  

				3	6	4	6	9	9
--	--	--	--	---	---	---	---	---	---

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):

Product Description :

NA

Distribution and Retail Supply of Power

*NOTES*

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**CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LIMITED****BOARD OF DIRECTORS:**

SRI M.T. KRISHNA BABU, IAS	CHAIRMAN & MANAGING DIRECTOR
SRI P.RAJAGOPAL REDDY	DIRECTOR/FINANCE & IT
SRI A. SRINIVASA RAO	DIRECTOR/PROJECTS
SRI B. RAVINDRA REDDY	DIRECTOR/OPERATION/Gr. HYD
SRI K.H. GHULAM AHMED	DIRECTOR/ P&MM
SRI B. VEERA REDDY	DIRECTOR/ OPERATION/RURAL
SRI G. RAGHUMA REDDY	DIRECTOR/COMML, RAC, IPC & CSC
SRI K. VENKATA NARAYANA	DIRECTOR/ HRD & IR
SRI C. CHENNA REDDY	DIRECTOR (NON WHOLE TIME)
SRI K. RANGANATHAM	DIRECTOR(NON WHOLE TIME)

**AUDIT COMMITTEE:**

SRI C. CHENNA REDDY	DIRECTOR (NON WHOLE TIME)
SRI K. RANGANATHAM	DIRECTOR (NON WHOLE TIME)
SRI K.H. GHULAM AHMED	DIRECTOR/ P&MM

**AUDITORS:**

M/s. S R MOHAN & 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:**

D.No.: 6-1-50,  
MINT COMPOUND,  
LAKDIKAPUL,  
HYDERABAD.

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