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**CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD.****NOTICE**

To  
The Members of the Company

**NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON 29<sup>TH</sup> SEPTEMBER 2011 AT 4.00 PM AT THE REGISTERED OFFICE OF THE COMPANY AT 6-1-50, MINT COMPOUND, HYDERABAD TO TRANSACT THE FOLLOWING BUSINESS:**

**Ordinary Business:**

1. To receive, consider and adopt the Audited Profit and Loss Account for the period ended 31-3-2011 and Balance Sheet as on 31-3-2011 along 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 2011-12 under the provisions of Sec.619(2) of Companies Act, 1956 by Comptroller and Auditor General of India and fix the remuneration of Statutory Auditors for the Financial Year 2011-12.

“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. Sharad & Associates, Chartered Accountants for the financial year 2011-12.”

**Special Business:**

1. **To consider and if thought fit to pass with or without modification, the following resolution as:**

**a Ordinary Resolution:**

“RESOLVED THAT pursuant to Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of the Company be and are hereby authorized to borrow money, from time to time at its discretion either from the Company’s bank or any other bank, financial institutions or any other lending institutions or persons on such terms and conditions as may be considered suitable by the Board of Directors up to a limit not exceeding in the aggregate Rs.3000 Crores [Rupees Three Thousand Crores only] notwithstanding that the moneys to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves that it is to say, reserves not set apart for any specific purpose.”

2. **To consider and if thought fit to pass with or without modification, the following resolution as :**

**b. Ordinary Resolution:**

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other provisions, if any, of the Companies Act,1956, to mortgaging and/or charging by the Board of Directors of the Company of all or any part of the immovable properties of the Company whatsoever situate both

present and future of every nature and kind whatsoever and creating a floating charge on all or any of the movable properties of the Company and the whole of undertaking of the company to or in favour of financial institutions for borrowing from time to time such sums of money as they deem requisite for the purpose of the business of the Company notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by the Company ( apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the sum of Rs. 3000 crores[Rupees Three Thousand Crores only] at any time.”

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

Place : Hyderabad

Date : 28.09.2011

**K. SUJATHA**  
COMPANY SECRETARY

**Note:**

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

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**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 are met through borrowings from financial institutions like Rural Electrification Corporation Limited, Power Finance Corporation Limited and banks. The existing limits sanctioned by the share holders for borrowing are Rs.2500 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. 2500 crores [RupeesTwo Thousand Five Hundred crores ] to Rs. 3000 crores.[Rupees Three Thousand 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.2500 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. 2,500 crores [RupeesTwo Thousand Five Hundred crores] to Rs. 3000 crores.[Rupees Three Thousand 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.**

Place : Hyderabad

Date : 28.09.2011

**K. SUJATHA**  
COMPANY SECRETARY

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

### DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eleventh Annual Report of the Company, together with the Audited Accounts of the Company for the year ending 31<sup>st</sup> March, 2011.

#### FINANCIAL RESULTS

During the year under review, the Company achieved an aggregate income of ₹. 12,032.67 crores. The financial performance of the Company is as follows:

S.No	Particulars	2009-10 (₹. in Crores)	2010-11 (₹. in Crores)
1.	Revenue from Sale of Power	7811.67	9860.07
2.	Revenue from Subsidies and Grants	2262.65	1601.57
3.	Other income	515.05	571.04
4.	Power Purchase Cost	9105.90	10173.27
5.	Provision for depreciation	295.30	326.33
6.	Interest and Finance Charges	461.06	579.94
7.	Surplus	36.47	3.13
8.	Net worth of the Company	1874.91	1996.87

The infrastructure of the Company as on 31.03.2011 is as follows:

S.No.	Particulars	Quantity
1.	33/11 KV Substations	1365
2.	Power Transformers	2058
3.	Distribution Transformers	250005
4.	33KV Feeders	727
5.	11KV Feeders	5316

#### 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. Anantha Ramu, IAS	Chairman & Managing Director	Appointed on 16.7.2011
2.	Sri Dinesh Kumar, IAS Principal Secretary to Govt., Energy Department.	Director(Non-whole time)	Appointed on 16.8.2011
3.	Smt.Pushpa Subrahmanyam, IAS, Principal Secretary to Govt.(IF), Finance Department.	Director(Non-whole time)	Appointed on 28.7.2011
4.	Sri. P Rajagopal Reddy	Director/Finance & P & MM	
5.	Sri. B Ravindra Reddy	Director/ Co-ordination, APPCC, IPC & RAC	Ceased to be Director from 28.09.2011

S. No.	Name of the Director	Designation	Date of Change
6.	Sri B. Veera Reddy	Director/Operations/Rural	Appointed on 9.7.2010
7.	Sri G. Raghuma Reddy	Director/ Projects & IT & Comml	
8.	Sri K.Venkata Narayana	Director /HRD & IR &Op/Gr.Hyd	
9.	Sri K.Ranganatham	Director(Non-whole time)	
10.	Sri C. Chenna Reddy	Director (Non-whole time)	

**CHANGES IN BOARD SINCE LAST REPORT:**

S. No	Name of the Director	Designation	Date of Change
1.	Sri. M.T. Krishna Babu, IAS	Chairman & Managing Director	Up to 16.7.2011
2.	Sri Sutirtha Bhattacharya, IAS, Principal Secretary to Govt., Energy Department.	Director(Non-whole time)	Appointed on 28.7.2011 Ceased on 18.08.2011
3.	Sri Ajay Jain, IAS	Director(Non-whole time)	Up to 9.7.2010
4.	Sri. A Srinivasa Rao	Director/Commercial, CSC, DPE & Assesments	Ceased on 27.6.2011
5.	Sri. K H Ghulam Ahmed	Director/ P&MM	Ceased on 17.7.2011

**CHANGES IN BOARD SINCE LAST REPORT:**

- ❖ The Government of Andhra Pradesh issued orders, appointing Sri G.Anantha Ramu, IAS, as a Chairman & Managing Director of the Company vide G.O.Ms.No. 30, Energy (Power.III) Dept DT. 03-08-2011 in place of Sri M.T. Krishna Babu,IAS.
- ❖ Sri K.Ranganatham, Joint Managing Director of APTRANSCO was appointed as Non-Whole time Director of the Company vide G.O. Ms.No.32 Energy (Power.III) Dept DT. 9.7.2010 in place of Sri Ajay Jain,IAS.
- ❖ Sri K H Ghulam Ahmed, Director/P&MM was ceased on 17.7.2011 vide G.O.Rt.No.55, Energy (Power.III) Dept DT.29.4.2010 on completion of tenure.
- ❖ Sri A. Srinivasa Rao, Director/ Commercial, CSC, DPE & Assesments was ceased on 27.6.2011 vide G.O. Ms.No.68 Energy (Power.III) Dept DT. 17.6.2008 on completion of tenure.
- ❖ Sri Sutirtha Bhattacharya, IAS, Principal Secretary to Govt., Energy Department, as Non-Whole time Director of the Company vide G.O.Rt.No. 123 Energy(Power.III) Dept, dt. 28.07.2011.
- ❖ Smt.Pushpa Subrahmanyam, IAS, Principal Secretary to Govt. (IF), Finance Department, as Non-Whole time Director of the Company vide G.O.Rt.No. 123 Energy (Power. III) Dept, dt. 28.07.2011.
- ❖ Sri Dinesh Kumar, IAS was appointed as Non-whole time Director of the Company vide G.O. Ms.No.32 Energy(Power.III) Dept DT.16.8.2011 in place of Sri Sutirtha Bhattacharya.

**BOARD MEETINGS HELD DURING THE YEAR:**

During the financial year 2010-11, the Company has held Eight Meetings of Board of Directors.

Directors	No.of Board Meetings Held	Meetings Attended	Remarks
Sri G. Anantha Ramu, IAS	8	—	<b>Appointed on 16.7.2011</b>
Sri P Rajagopal Reddy	8	8	
Sri B. Ravindra Reddy	8	7	
Sri B. Veera Reddy	8	7	
Sri G. Raghuma Reddy	8	8	
Sri K. Venkata Narayana	8	8	
Sri K. Ranganatham	8	5	<b>Appointed on 09.7.2010</b>
Sri C Chenna Reddy	8	7	
Smt.Pushpa Subrahmanyam, IAS, Principal Secretary to Govt.(IF), Finance Department.	8	—	<b>Appointed on 28.7.2011</b>
Sri Dinesh Kumar, IAS, Principal Secretary to Govt., Energy Department.	8	—	<b>Appointed on 16.8.2011</b>
Sri M.T. Krishna Babu, IAS	8	8	<b>Ceased to be Director w.e.f 16.7.2011</b>
Sri A. Srinivasa Rao	8	8	<b>Ceased to be Director w.e.f 27.6.2011</b>
Sri. K H Ghulam Ahmed	8	8	<b>Ceased to be Director w.e.f 17.7.2011</b>
Sri Ajay Jain	8	2	<b>Ceased to be Director w.e.f 09.7.2010</b>
Sri Sutirtha Bhattacharya, IAS, Principal Secretary to Govt., Energy Department.	8	—	<b>Ceased on 18.8.2011</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.

S. No	Name of the Director	Designation
1.	Sri K.Ranganatham	Chairman of Audit Committee(Non whole time Director) (after 9.07.2010)
2.	Sri C. Chenna Reddy	Member Audit Committee (Non whole time Director)
3.	Sri K. Venkata Narayana	Member Audit Committee Director(HR & IR & Op/GH) (After 17.7.2011)
4.	Sri K.H. Ghulam Ahmed	Member Audit Committee Director(P&MM) (Up to 17.7.2011)

## CHANGES IN CONSTITUTION OF AUDIT COMMITTEE SINCE LAST REPORT:

The Audit Committee was reconstituted due to the change in the position of Non whole time Directors in the financial year 2010-11, as Sri K.Rangnatham was nominated as a member of Audit Committee in place of Sri Ajay Jain, IAS, Sri K. Venkata Narayana was nominated as a member of Audit Committee in place of Sri K.H. Ghulam Ahmed, who has ceased to be Director of the Company on completion of his tenure on 17.7.2011.

The Audit Committee met Five times during the financial year 2010-11. The Annual Accounts for the year 2010-11 were reviewed by Audit Committee in its meeting held on 21.7.2011.

Directors	No.of Board Meetings Held	Meetings Attended	Remarks
Sri K. Ranganatham	5	3	<b>W.E.F. 9.7.2010</b>
Sri C. Chenna Reddy	5	4	
Sri K.Venkata Narayana	5	-	<b>W.E.F. 17.7.2011</b>
Sri. K H Ghulam Ahmed	5	5	Sri K.Venkata Narayana was nominated as Non-whole time Director in his place on 17.7.2011
Sri Ajay Jain, IAS	5	1	Sri K. Ranganatham Was nominated as Non-whole time Director in his place on 9.7.2010

## 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 2010-11.

## 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 Eight times during the financial year 2010-11.

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<sup>st</sup> March, 2011. 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/-

**G. Anantha Ramu, IAS**

Chairman and Managing Director

Place : Hyderabad

Date : 28.9.2011

## Annexure A to the Directors' Report

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

#### STATUTORY AUDITORS' REPORT

#### COMPANY'S REPLY

We have audited the attached Balance Sheet of Central Power Distribution Company of Andhra Pradesh Limited as at March 31, 2011 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 operations of 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 by the Company. 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, and our qualification in the previous year, the Company has not incorporated the

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

Matter is being pursued with Government of Andhra Pradesh.

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.

## 2. PURCHASE OF POWER:

- (a) 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 with effect from April 2008. In order to facilitate purchase and trading of power, the Government of Andhra Pradesh has constituted one apex committee and two sub-committees. The Transactions of Sale of Power, to the entities other than the four Distribution Companies, and Purchase of Power and also allocation of Cost of Purchase of Power amongst the four Distribution Companies are subjected to audit by an Independent Firm of Chartered Accountants. The statements of purchase and sale, as intimated by the Committee and certified by the independent firm of Chartered Accountants are incorporated in the Books of the Company and have been accepted by us. However it has been noticed that a sum of Rs. 7.37 Crore being the Company's share out of Rs.16.00 crore disallowed from the bills of a supplier of power on the plea that APERC has not approved fixed cost of some generating units. The Company may be liable to pay these amounts, if the formal approval is obtained by the concerned power supplier. It may be mentioned that these Committees are not legal entities.
- (b) The Company has requested the reallocation of power prospectively with effect 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 at 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.
- (c) Andhra Pradesh Power Co-ordination Committee has undertaken certain swap transactions on behalf of the Distribution Companies. The terms of the swap transactions are to get back/ return the power @ 105% of the power lent/borrowed initially. The Company is not accounting any financial entries for these transactions and has not furnished us the quantity lent/borrowed and

The Power Purchase transactions are being audited by an independent agency viz., M/s. Sagar & Associates, Chartered Accountants. Hon'ble APERC has allowed fixed cost relating to Jurala Project, APGENCO for only first three (3) units. The Fixed cost claim of Rs.7.37 Crore (Discom share) relating to IV & V Unit of Jurala Project was not approved by Hon'ble APERC.

Regarding ratio of reallocation of Power with prospective effect, request has been made to the Govt. of AP

The available information was furnished. Further detailed records will be made available.

outstanding on March 31, 2011. Hence we could not ascertain the effect, if any on the profit and debtors/creditors for the swap transactions undertaken by the APPCC on behalf of the Company.

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

- (a) According to the information explanations given to us, amounts 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.

In Turnkey Works, assets are created duly giving effect to the Consumer Contributed Reserves immediately. In other cases, assets are being installed 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) Capitalization of employee cost of Rs. 49.26 crore (Previous year Rs. 32.26 Crore) and Administrative and General Expenses of Rs. 8.69 crore (Previous year Rs. 5.69 crore) has been capitalized, as described in Significant Accounting Policy 4 (a), instead of capitalizing the directly attributable costs in accordance with Accounting Standard – 10, 'Accounting for Fixed Assets'. Similarly a sum of Rs. 24.91 crore (previous year Rs. 21.58 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:

Presently 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.

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- (i) 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.
- (ii) Some of 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 and Book Values 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) Difference between the price specified in purchase order entered in SAP package 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 / loss, and assets could not be ascertained.
- 5. 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.14.83 crore. The provision of Rs. 36.72 crore existing as at 31/03/2010 is continued in the accounts. This has resulted in understatement of accumulated Loss by Rs. 21.89 Crore and understatement of inventories to that extent.
- 6. SUNDRY DEBTORS:**
- Sundry Debtors include amount in respect of cases filed in the Court amounting to Rs. 280.97 crore (previous year Rs. 248.69 crore), Revenue Recovery Act Rs. 46.81
- 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.
- The observation is noted for future guidance.
- 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.
- The observation is noted for future guidance.
- The observation is noted for future guidance.
- Under the “Second Transfer Scheme” notified by Government of Andhra Pradesh w.e.f. 01-04-2000, Inventories were transferred along with a lump-sum provision of Rs. 29.53 Crores.
- The observation is noted for future guidance.
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Crore (Previous year Rs.52.82 Crore) and Disconnected/Bill Stopped Services Rs.204.90 crore (previous year Rs. 165.52 crore) totaling in all to Rs. 532.68 crore (Previous year Rs. 467.03 crore) as against the existing provision of Rs. 434.85 crore (Previous year 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

## 7. OTHER RECEIVABLES:

- (a) The net debit balance of Rs. 1.61 crore (previous year Rs. 12.33 crore) in inter-unit accounts, as referred to in Note No. 9 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 Debtors amounting to Rs. 3.36 crore (Previous year Rs. 3.36 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.

Reconciliation is under progress.

Reconciliation is under progress.

## 8. CASH & BANK BALANCES:

- (a) Balances with Scheduled Banks in current accounts include unreconciled items and there are unidentified credits in the bank accounts for Rs. 7.92 crore (previous year Rs. 3.73 crore) and cheques deposited but not credited to an extent of Rs. 8.45 crore (previous year Rs. 2.60 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. 0.17 crore (Previous year 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.

Bank reconciliation is a continuous process and major items relates to year end transactions.

## 9. OTHER CURRENT ASSETS:

Amounts Receivable from Employees and others (Schedule 7) include very old items, which require reconciliation and determination as to their ultimate recoverability. Pending such determination the effect on profit and assets could not be ascertained.

The amount kept in personal accounts of employees relates to non-closure of Work Orders and Temporary Advances. Efforts will be made for the closure of the same.

## 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

Major advances are reconciled and certain advances relating to materials on account of price variations are under reconciliation.

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 the basis suggested by the Actuary for the year ending on 31/03/2009. 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. Actuarial Valuation for accrued liability for the employees who have joined on or after 01/02/1999 is not determined.

Leave encashment benefit is provided based on actuarial valuation made in the year 2004-05 and extrapolating the liability for the subsequent period, though the accrued liability on actuarial valuation basis is available as at 31/03/2009. 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. 1,408 crore (Previous year Rs. 677.40 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. 31.81 crore (previous year Rs. 28.99) than the actual billing made subsequently. This has an effect of understatement of Profit and Debtors by the said amount.

#### 13. REVENUE SUBSIDIES AND GRANTS:

Additional subsidy for expensive power amounting to Rs. 781.39 crore (Previous year Rs. 1234.94 crore) is accounted based on the information furnished by the Andhra Pradesh Power Co-ordination Committee.

Provision for Pension & Gratuity made at the rate of 29.80% as per the Actuarial Valuation report of M/s. Hewitt Consultants.

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

FSA proposals for the Financial Year 2010-11 submitted to APERC for approval.

Note under reference is self explanatory.

Informative

**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.** Reference is invited to Note No. 22 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.

**16.** 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. 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.

**17.** We are informed that the Company is in the process of collecting the information relating the Small and Micro units rendering service or supplying goods to the Company. Hence we are not able to determine that whether there was delay in making payment and interest for the delay as required under SME Act, 2006.

Note No.: 13 under Notes to Accounts is self explanatory.

**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, 2011;
  - (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  
Firm Reg. No.: 002111S

Sd/-  
VENKATA KRISHNA RAO P  
Partner  
Membership No.: 204121

Date: 21-07-2011  
Place: Hyderabad

For and on behalf of the COMPANY

Sd/-  
G ANANTHA RAMU  
Chairman & Managing Director

Date: 21-07-2011  
Place: Hyderabad

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

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### **1. Fixed Assets:**

- |  |  |
|--|--|
| (a) The Company has maintained Fixed Assets Register showing circle wise particulars. 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. Though the physical verification of fixed assets is due during the year, Information>Returns of physical verification were not received from the field office. | 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 the Stores directly under the Control of the Circle Offices is reasonable. However such physical verification is not conducted for the material lying at the Divisional and Section Offices.  | Informative                                   |
| (b) In our opinion, subject to (a) above, 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.   | 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 | The observation is noted for future guidance. |

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.

Informative

Noted

Noted

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.
- 6) Sales Records
- 7) Energy Audit Records

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.

**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.

Informative

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	2002-2003	Supreme Court of India
2	A.P. General Sales Tax Act	Sales Tax	1.34	2001 to 2006	AP Sales tax Appellate Tribunal
3	A.P. VAT Act, 2005	VAT	22.32	2005 to 2008	High Court of A.P.
4	Income Tax Act, 1961	TDS	93.26	2006 to 2009	CIT Appeals

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  
Firm Reg. No.: 002111S

Sd/-  
VENKATA KRISHNA RAO P  
Partner  
Membership No.: 204121

Date: 21-07-2011  
Place: Hyderabad

For and on behalf of the COMPANY

Sd/-  
G ANANTHA RAMU  
Chairman & Managing Director

Date: 21-07-2011  
Place: Hyderabad

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**Annexure B to the Directors' Report****C & AG REPORT:**

No. AG(C&amp;RA)/CAWP/APCPDCL/I/2011-12/281      Dated 16.09.2011

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<sup>st</sup> March 2011.

\* \* \*

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 2011 for necessary action.

2. The date of placing of Comments along with Annual Accounts and Auditors' Report before the Shareholders of the Company may be intimated and a copy of the proceedings of the meeting furnished.
3. The date of forwarding the Annual Report and the Annual Accounts of the Company together with the Auditors' Report and Comments of the Comptroller and Auditor General of India to the State Government for being placed before the Legislature may also be communicated,
4. Ten copies of the Annual Report for the year 2010-11 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 2011**

The preparation of financial statements of Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad for the year ended 31<sup>st</sup> March 2011 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<sup>st</sup> July 2011.

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 2011. 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.

Sl. No.	COMMENT	COMPANY'S REPLY
<p><b>1.</b></p> <p><b>A. Comments on Profitability</b></p> <p><b>Balance Sheet</b></p> <p><b>Application of funds</b></p> <p><b>Current Assets, Loans &amp; Advances (Sch 7)</b></p> <p><b>Loans and Advances</b></p> <p><b>Advances for Suppliers/Contractors: Rs. 60.11 crore</b></p>	<p>The above includes an amount of Rs. 1.77 crore being the advances given to suppliers/contractors and lying in the account for more than three years (since December 2005) without details. As the chances of realization of the same are remote, these amounts should have been charged off in the accounts. Not doing so has resulted in understatement of 'Other Expenses' and overstatement of 'Current Assets, Loans &amp; Advances' by Rs. 1.77 crore. Consequently, 'Net Profit' is also overstated by similar amount.</p>	<p>Advances to Suppliers/ Contractors pending for Adjustment against the liability of more than three years will be reviewed and necessary entries if any, will be passed in Financial Year 2011-12.</p>
<p><b>2.</b></p> <p><b>Current liabilities and provisions(Sch. 8)</b></p> <p><b>Provisions</b></p> <p><b>Provision for Leave Encashment: Rs. 136.57 crore</b></p>	<p>The above is understated by Rs. 87.85 crore being the difference between the actual provision available for</p>	<p>Actuarial Valuation towards leave encashment will be made in the Financial Year 2011-12 and</p>

	<p>leave encashment as at 31 March 2011 (Rs. 136.57 crore) and liability to be provided (Rs. 224.42 crore) as per the Actuary Report dated 27 July 2009. Making the provision based on the Actuary Report for the year 2004-05, in contrary to the AS-15 has resulted in understatement of 'Employee Costs' and overstatement of 'Net Profit' by Rs. 87.85 crore.</p>	<p>provision will be ascertained and created accordingly.</p>
<p><b>3. Profit And Loss Account</b> <b>Expenditure</b> <b>Purchase of Power (Sch. 12): Rs. 10173.27 crore</b></p>	<p>The above is understated by Rs. 81.84 crore (46.06% of Rs. 177.69 crore) due to non-accountal of the claim received from APGENCO (September and October 2010) towards belated payment surcharge for the period from 22-12-2009 to September 2010. As the delayed payment surcharge is payable as per clause 3.1.15 of the power purchase agreement entered on 22 December 2009, the same should have been provided for. Non-Provision has resulted in understatement of 'Current Liabilities and Provisions – Sundry Creditors' and overstatement of 'Net profit' by Rs. 81.84 crore.</p>	<p>There is no provision for payment of Late payment surcharge in the PPA entered between APGENCO and APTRANSCO on 10-03-2003 and this PPA is in live as there is no other PPA entered between APGENCO and APDISCOM/APTRANSCO after the above PPA.</p> <p>Further, the Regulation 1 of 2008 will come into force once the clauses referred in regulation is incorporated in proposed PPA to be entered between APGENCO and APDISCOMS till such time the payment of delayed payment surcharge will not be attracted .</p> <p>Therefore, in view of the forgoing factors, the claim of APGENCO is not tenable, hence not provided in the accounts.</p>
<p><b>4. Profit And Loss Account</b> <b>Expenditure</b> <b>Purchase of Power (Sch. 12): Rs. 10173.27 crore</b></p>	<p>The above is understated by Rs. 2.33 crore due to non-accountal of late payment surcharge payable to APGENCO as per clause 3.1.15 of the Power purchase agreement entered on 22<sup>nd</sup> December 2009 on account of delay of eight months in payment of Rs. 50.59 crore towards Thermal Incentive. This has resulted in understatement of 'Current Liabilities and Provisions – Sundry Creditors' and overstatement of 'Net profit' by Rs. 2.33 crore.</p>	<p>There is no provision for payment of Late payment surcharge in the PPA entered between APGENCO and APTRANSCO on 10-03-2003 and this PPA is in live as there is no other PPA entered between APGENCO and APDISCOM/APTRANSCO after the above PPA.</p> <p>Further, the Regulation 1 of 2008 will come into force once the clauses referred in regulation is incorporated in proposed PPA to be entered between APGENCO and APDISCOMS till such time the payment of delayed payment surcharge will not be attracted .</p> <p>Therefore, in view of the forgoing factors, the claim of APGENCO is not tenable, hence not provided in the accounts.</p>

<b>B. Comments on Disclosure</b>	
5. During the year APERC has approved for collection of FSA for the year 2008-09 in 12 installments during July 2010 to June 2011. But, collection of Rs. 134.62 crore has been disputed by the consumers by approaching the court and the company has not raised demand on them. As the amount is material, the fact should have been disclosed in the notes on accounts.	Noted for future guidance.
6. As per the tripartite agreement between the Rural Electrification Corporation (REC), Government of Andhra Pradesh (GOAP) and the Company for execution of the RGGVY scheme, the Company shall construct and operate the assets created out of the loan assistance given by REC and the ownership of the assets shall be with the GOAP.  To the end of March 2011, the company received Rs.184.67 crore and spent/created RGGVY assets valued Rs.171 crore. As the Company is not the owner of the assets, proper disclosure to the extent of funds received and assets created should have been made in the notes on accounts.	Noted for future guidance.

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

**Sd/-  
SADU ISRAEL  
Accountant General (C&RA)**

Place : Hyderabad  
Date : 16.09.2011

**For and on behalf of the Board of Directors**

**Sd/-  
G ANANTHA RAMU  
Chairman & Managing Director**

Place : Hyderabad  
Date : 28.09.2011

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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, 2011 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 operations of 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 by the Company. 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, and our qualification in the previous year, 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.

### **2. PURCHASE OF POWER:**

(a) 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 with effect from April 2008. In order to facilitate purchase and trading of power, the Government of Andhra Pradesh has constituted one apex committee and two sub-committees. The Transactions of Sale of Power, to the entities other than the four Distribution

Companies, and Purchase of Power and also allocation of Cost of Purchase of Power amongst the four Distribution Companies are subjected to audit by an Independent Firm of Chartered Accountants. The statements of purchase and sale, as intimated by the Committee and certified by the independent firm of Chartered Accountants are incorporated in the Books of the Company and have been accepted by us. However it has been noticed that a sum of Rs. 7.37 Crore being the Company's share out of Rs. 16.00 crore disallowed from the bills of a supplier of power on the plea that APERC has not approved fixed cost of some generating units. The Company may be liable to pay these amounts, if the formal approval is obtained by the concerned power supplier. It may be mentioned that these Committees are not legal entities.

- (b) The Company has requested the reallocation of power prospectively with effect 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 at 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.
- (c) Andhra Pradesh Power Co-ordination Committee has undertaken certain swap transactions on behalf of the Distribution Companies. The terms of the swap transactions are to get back/ return the power @ 105% of the power lent/borrowed initially. The Company is not accounting any financial entries for these transactions and has not furnished us the quantity lent/borrowed and outstanding on March 31, 2011. Hence we could not ascertain the effect, if any on the profit and debtors/creditors for the swap transactions undertaken by the APPCC on behalf of the Company.

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

- (a) According to the information explanations given to us, amounts 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) Capitalization of employee cost of Rs. 49.26 crore (Previous year Rs. 32.26 Crore) and Administrative and General Expenses of Rs. 8.69 crore (Previous year Rs. 5.69 crore) has been capitalized, as described in Significant Accounting Policy 4 (a), instead of capitalizing the directly attributable costs in accordance with Accounting Standard – 10, 'Accounting for Fixed Assets'. Similarly a sum of Rs. 24.91 crore (previous year Rs. 21.58 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) 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.
  - (ii) Some of 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 and Book Values 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) Difference between the price specified in purchase order entered in SAP package 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 / loss, and assets could not be ascertained.

## 5. 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. 14.83 crore. The provision of Rs.36.72 crore existing as at 31/03/2010 is continued in the accounts. This has resulted in understatement of accumulated Loss by Rs. 21.89 Crore and understatement of inventories to that extent.

## 6. SUNDRY DEBTORS:

Sundry Debtors include amount in respect of cases filed in the Court amounting to Rs.280.97 crore (previous year Rs. 248.69 crore), Revenue Recovery Act Rs. 46.81 crore (Previous year Rs. 52.82 Crore) and Disconnected/Bill Stopped Services Rs.204.90 crore (previous year Rs. 165.52 crore) totaling in all to Rs. 532.68 crore (Previous year Rs. 467.03 crore) as against the existing provision of Rs. 434.85 crore (previous year 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.

## 7. OTHER RECEIVABLES:

- (a) The net debit balance of Rs. 1.61 crore (previous year Rs. 12.33 crore) in inter-unit accounts, as referred to in Note No. 9 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 Debtors amounting to Rs. 3.36 crore (Previous year Rs. 3.36 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.

## **8. CASH & BANK BALANCES:**

- (a) Balances with Scheduled Banks in current accounts include unreconciled items and there are unidentified credits in the bank accounts for Rs. 7.92 crore (previous year Rs. 3.73 crore) and cheques deposited but not credited to an extent of Rs. 8.45 crore (previous year Rs. 2.60 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. 0.17 crore (Previous year 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.

## **9. OTHER CURRENT ASSETS:**

Amounts Receivable from Employees and others (Schedule 7) include very old items, which require reconciliation and determination as to their ultimate recoverability. Pending such determination the effect on profit and assets could not be ascertained.

## **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 the basis suggested by the Actuary for the year ending on 31/03/2009. 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. Actuarial Valuation for accrued liability for the employees who have joined on or after 01/02/1999 is not determined. Leave encashment benefit is provided based on actuarial valuation made in the year 2004-05 and extrapolating the liability for the subsequent period, though the accrued liability on actuarial valuation basis is available as at 31/03/2009. 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. 1,408 crore (Previous year Rs. 677.40 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. 31.81 crore (previous year Rs. 28.99 crore) than the actual billing made subsequently. This has an effect of understatement of Profit and Debtors by the said amount.

**13. REVENUE SUBSIDIES AND GRANTS:**

Additional subsidy for expensive power amounting to Rs. 781.39 crore (Previous year Rs. 1234.94 crore) is accounted based on the information furnished by the Andhra Pradesh Power Co-ordination Committee.

**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. Reference is invited to Note No. 22 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.
16. 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. 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.
17. We are informed that the Company is in the process of collecting the information relating the Small and Micro units rendering service or supplying goods to the Company. Hence we are not able to determine that whether there was delay in making payment and interest for the delay as required under SME Act, 2006.
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, 2011;
- (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/-

VENKATA KRISHNA RAO P  
Partner  
Membership No.: 204121

Date : 21.07.2011  
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. 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. Though the physical verification of fixed assets is due during the year, Information>Returns of physical verification were not received from the field office.
- (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 the Stores directly under the Control of the Circle Offices is reasonable. However such physical verification is not conducted for the material lying at the Divisional and Section Offices.
- (b) In our opinion, subject to (a) above, 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	22.32	2005 to 2008	High Court of A.P.
4	Income Tax Act, 1961	TDS	93.26	2006 to 2009	CIT Appeals

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/-  
VENKATA KRISHNA RAO P  
Partner  
Membership No.: 204121

Date : 21.07.2011  
Place : Hyderabad



**CENTRAL POWER DISTRIBUTION COMPANY OF A.P. Ltd.**  
**BALANCE SHEET AS AT 31st MARCH, 2011**

**31.03.2011 నాటి ఆస్తి అప్పుల పట్టిక**

**Amount in Rupees**

Particulars	Schedule	As at 31.3.2011	As at 31.3.2010
వివరములు	అనుసూచిక	31.03.2011 నాటికి	31.03.2010 నాటికి
<b>SOURCES OF FUNDS</b>			
నిధుల వనరులు			
<b>(1) Shareholders' Funds (వాటాదారుల నిధి)</b>			
(a) Share Capital వాటా మూలధనము	<b>1</b>	7,284,796,090	7,284,796,090
(b) Reserves and Surplus నిధి మరియు మిగులు	<b>2</b>	13,830,118,095	12,641,733,673
<b>(2) Loan Funds (అప్పుల నిధి)</b>			
(a) Secured Loans హామీ రుణములు	<b>3</b>	21,106,120,001	13,622,305,978
(b) Unsecured Loans హామీ లేని రుణములు		33,996,237,280	25,337,649,008
<b>Total</b>		<b>76,217,271,466</b>	<b>58,886,484,749</b>

**APPLICATION OF FUNDS**

నిధుల వినియోగము

<b>(1) Fixed Assets (స్థిర ఆస్తులు)</b>			
(a) Gross Block స్థూల మూల్యము	<b>4</b>	57,831,863,590	51,241,194,040
(b) <b>Less:</b> Accumulated Depreciation తరుగుదల నిధికి కేటాయింపుల మొత్తము		26,595,827,812	23,332,565,471
(c) Net Block (నికర మూల్యము)		<b>31,236,035,778</b>	<b>27,908,628,569</b>
(d) Capital Work-in-Progress జరుగుచున్న పనులపై పెట్టుబడి	<b>5</b>	6,960,720,601	6,053,314,098
<b>(2) Investments</b> పెట్టుబడులు	<b>6</b>	869,542,606	241,360,306
<b>(3) Deferred Tax Asset - net</b> వాయిదా వేయబడిన పన్ను		642,222,848	693,808,261
<b>(4) Current Assets, Loans &amp; Advances</b>			
చరాస్తులు, అప్పులు మరియు బయానాలు	<b>7</b>		
(a) Interest accrued on Investments పెట్టుబడులపై ఆర్జిత వడ్డీ		7,360,242	11,043,289

(b) Inventories (సరకు నిల్వ)	1,884,552,200	616,546,233
(c) Sundry Debtors (వివిధ ఋణగ్రస్తులు)	37,709,412,953	19,056,611,556
(d) Cash & Bank Balances (నగదు మరియు బ్యాంకు నిల్వలు)	1,596,550,250	1,871,940,755
(e) Other Receivables (ఇతర వివరములు)	48,369,230,695	46,514,835,120
(f) Loans & Advances అప్పులు మరియు బయోనాలు	1,433,110,807	1,139,055,083
	<b>91,000,217,147</b>	<b>69,210,032,036</b>
<b>Less: Current Liabilities and Provisions</b> ప్రస్తుత అప్పులు మరియు కేటాయింపులు	<b>8</b>	
(a) Liabilities అప్పులు	54,167,283,689	44,997,080,686
(b) Provisions కేటాయింపులు	1,470,341,385	1,401,034,175
	<b>55,637,625,074</b>	<b>46,398,114,861</b>
<b>Net Current Assets</b> నికర చరాస్తులు	<b>35,362,592,073</b>	<b>22,811,917,175</b>
<b>(5) Profit &amp; Loss Account</b> లాభ నష్టాల ఖాతా	<b>1,146,157,560</b>	<b>1,177,456,340</b>
<b>Total</b>	<b>76,217,271,466</b>	<b>58,886,484,749</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

As per our report of even date

For and on behalf of the Company

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

Sd/-  
G. ANANTHA RAMU  
Chairman & Managing Director

Sd/-  
P.RAJAGOPAL REDDY  
Director (Finance)

Sd/-  
VENKATA KRISHNA RAO P  
Partner  
M.No. 204121

Sd/-  
K. PREMANANDA RAO  
Chief General Manager(Finance)

Sd/-  
K.SUJATHA  
Company Secretary

Date : 21.07.2011  
Place : Hyderabad



**CENTRAL POWER DISTRIBUTION COMPANY OF A.P. Ltd.**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011**

**2010-2011 నాటి లాభ / నష్టాలఖాతా**

Amount in Rupees

Particulars వివరములు	Schedule అనుసూచిక	Year Ended 31st March 2011 31.03.2011 నాటికి	Year Ended 31st March 2010 31.03.2010 నాటికి
<b>INCOME</b>			
<b>ఆదాయము</b>			
Gross Revenue from Sale of Power విద్యుత్తు అమ్మకముల నుండి స్థూల ఆదాయము	9	99,804,707,532	79,143,330,858
Less: Electricity Duty తగ్గింపు : విద్యుత్తు సుంకము		1,204,041,420	1,032,220,512
<b>Net Revenue from Sale of Power</b>		<b>98,600,666,112</b>	<b>78,111,110,346</b>
విద్యుత్తు అమ్మకము నుండి వచ్చిన నికర ఆదాయము			
Revenue Subsidies and Grants ప్రభుత్వ సహాయములు మరియు గ్రాంట్లు	10	16,015,700,000	22,626,500,000
Other Income ఇతర ఆదాయము	11	5,710,355,867	5,156,140,558
<b>Total Income</b>		<b>120,326,721,978</b>	<b>105,893,750,904</b>
<b>మొత్తము ఆదాయము</b>			
<b>EXPENDITURE:</b>			
<b>వ్యయము</b>			
Purchase of Power విద్యుత్తు కొనుగోలు	12	101,732,682,583	91,058,985,029
Employee Costs ఉద్యోగుల జీతభత్యాలు	13	6,251,824,786	3,800,587,702
Administration and General Expenses పరిపాలన మరియు సామాన్య వ్యయములు	14	2,247,314,924	2,225,134,970
Other Expenses ఇతర వ్యయములు	15	964,787,374	1,218,314,238
Depreciation తరుగుదల		3,263,262,340	2,952,959,764
Interest and Finance charges వడ్డీ మరియు ఆర్థిక వ్యయములు	16	5,799,357,266	4,610,615,126
<b>Total Expenditure</b>		<b>120,259,229,274</b>	<b>105,866,596,829</b>
<b>మొత్తము వ్యయము</b>			

<b>Net Profit / (Loss)</b>		<b>67,492,705</b>	<b>27,154,075</b>
నికర లాభము / నష్టము			
Net Prior Period Credits / (Debits)	<b>17</b>	39,782,267	5,274,843
వెనుకటి సంవత్సరపు నికర జమలు			
<b>Profit before Tax</b>		<b>107,274,972</b>	<b>32,428,918</b>
పన్నుకు ముందు లాభము			
<b>Less: Provision for Taxation</b>			
తగ్గింపు : ఆదాయపు పన్ను కేటాయింపు			
a) Income Tax - MAT		(24,390,778)	(33,405,105)
ఆదాయపు పన్ను - మ్యాట్			
b) Deferred Tax		(51,585,414)	365,675,022
వాయిదా వేయబడిన పన్ను			
<b>Profit after Tax</b>		<b>31,298,780</b>	<b>364,698,835</b>
పన్ను తరువాత లాభము			
Balance of Loss brought over from previous year		(1,177,456,340)	(1,542,155,175)
వెనుకటి సంవత్సరము నుండి తీసుకురాబడిన నష్టము నిల్వ			
<b>Balance carried to Balance Sheet</b>		<b>(1,146,157,560)</b>	<b>(1,177,456,340)</b>
ఆస్తి అప్పుల పట్టికకు బదిలీ చేసిన నిల్వ			
<b>Significant Accounting Policies and</b>			
<b>Notes on Accounts</b>	<b>18</b>		

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

As per our report of even date

For and on behalf of the Company

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

Sd/-  
G. ANANTHA RAMU  
Chairman & Managing Director

Sd/-  
P.RAJAGOPAL REDDY  
Director (Finance)

Sd/-  
VENKATA KRISHNA RAO P  
Partner  
M.No. 204121

Sd/-  
K. PREMANANDA RAO  
Chief General Manager(Finance)

Sd/-  
K.SUJATHA  
Company Secretary

Date : 21.07.2011  
Place : Hyderabad



**CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LTD**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

	Year Ended 31 st March, 2011		Year Ended 31 st March, 2010	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash flows from operating activities:</b>				
Net Profit before tax	107,274,972		32,428,918	
<b>Adjustments :</b>				
<b>Add:</b> Depreciation	3,263,262,340		2,952,959,764	
<b>Add:</b> Interest and Finance Charges	5,799,357,266		4,610,615,126	
<b>Less:</b> Withdrawl of Depreciation on Consumer Contributed Assets	1,440,543,994		1,287,284,793	
<b>Operating profit before working capital changes</b>	<b>7,729,350,585</b>		<b>6,308,719,015</b>	
<b>Changes in Working Capital :</b>				
(Increase)/Decrease in Interest Accrued on Investments	3,683,047		(3,531,306)	
(Increase)/Decrease in Sundry Debtors	(18,652,801,397)		(8,692,427,294)	
(Increase) / Decrease in Inventories	(1,268,005,967)		278,387,862	
(Increase)/ Decrease in Loans and Advances	(294,055,724)		(429,234,025)	
(Increase)/ Decrease in Other Receivables	(1,854,395,575)		(7,733,576,715)	
Increase /(Decrease) in Provisions	69,307,210		8,301,380	
Increase/(Decrease) in Data Migration Account	-		(184,517,841)	
Increase /(Decrease) in Other Current Liabilities	9,178,597,726		6,650,056,746	
Increase/(Decrease) in Second Transfer Scheme	-		(298,015,538)	
<b>Cash generated from operations</b>	<b>(5,088,320,096)</b>		<b>(4,095,837,716)</b>	
Income taxes / Fringe Benefit Tax Paid	(24,390,778)		(33,405,105)	
<b>Net cash flow before extraordinary item</b>	<b>(5,112,710,874)</b>		<b>(4,129,242,821)</b>	
<b>Net Cash from Operating Activities</b>		<b>(5,112,710,874)</b>		<b>(4,129,242,821)</b>

<b>Cash flows from investing activities:</b> Purchases/Adjustments relating to fixed assets (Increase)/ Decrease in Capital Work in Progress (Increase)/ Decrease in Investments <b>Net cash flow from investing activities</b>	(6,902,119,903) (151,137,591) (115,000)			(7,053,372,494)
<b>C. Cash flows from financing activities:</b> Repayment of Secured Loans Proceeds from Secured Loans Proceeds from UnSecured Loans Repayment of Unsecured Loans Increase in Consumer Contributions Interest paid Increase in Contingency Reserve <b>Net cash used in financing activities</b> <b>Net Increase/ Decrease in cash and cash equivalents during the year</b>	(128,830,503,760) 136,314,317,782 32,750,000,000 (24,091,411,728) 2,609,629,569 (5,807,751,989) 19,298,847	(8,126,258,353)		11,326,552,358
<b>Cash and cash equivalents at the beginning of the year</b>				143,937,043
<b>Cash and cash equivalents at the end of the year</b>				1,728,003,712
				1,871,940,755

As per our report of even date

For and on behalf of the Company

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

Sd/-

G. ANANTHA RAMU  
Chairman & Managing Director

Sd/-

P.RAJAGOPAL REDDY  
Director (Finance)

Sd/-

VENKATA KRISHNA RAO P  
Partner  
M.No. 204121

Sd/-

K. PREMANANDA RAO  
Chief General Manager(Finance)

Sd/-

K.SUJATHA  
Company Secretary

### Schedule - 1 : Share Capital

S.No	Particulars	As at 31.3.2011 Rs	As at 31.3.2010 Rs
<b>1</b>	<b>Authorised share capital</b> 100,00,00,000 ( Previous year 100,00,00,000) Equity shares of Rs 10 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>
<b>2</b>	<b>Issued, Subscribed And Paid-up capital</b> 72,84,79,609 (Previous year 72,84,79,609) Equity shares of Rs 10/ each fully paid up 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	7,284,796,090	7,284,796,090
	<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 31.3.2011 Rs	As at 31.3.2010 Rs
<b>1</b>	<b>CONSUMERS' CONTRIBUTION TOWARDS CAPITAL ASSETS:</b> As per Last Balance Sheet Add: Received during the year <b>Sub Total (A)</b>	 14,466,375,618 2,062,029,569 <b>16,528,405,187</b>	 11,855,154,247 2,611,221,371 <b>14,466,375,618</b>
<b>2</b>	<b>SUBSIDIES TOWARDS COST OF CAPITAL ASSETS:</b> As per Last Balance Sheet Add: Received during the year <b>Sub Total (B)</b>	 714,963,781 (150,000) <b>714,813,781</b>	 714,974,926 (11,145) <b>714,963,781</b>
<b>3</b>	<b>GRANTS/DONATIONS TOWARDS COST OF CAPITAL ASSETS :</b> As per Last Balance Sheet Add: Received during the year <b>Sub Total (C)</b> <b>Total D= (A+B+C)</b> Less:Withdrawal towards cost of Capital Assets <b>Total</b>	 1,998,642,599 547,750,000 <b>2,546,392,599</b> <b>19,789,611,567</b> 6,247,867,886 <b>13,541,743,681</b>	 1,569,833,619 428,808,980 <b>1,998,642,599</b> <b>17,179,981,998</b> 4,807,323,893 <b>12,372,658,105</b>
<b>4</b>	<b>STATUTORY RESERVES:</b> <b>Contingency Reserve Fund</b> As per Last Balance Sheet <b>Add:</b> Additions during the year <b>Add:</b> Interest received & reinvested <b>Total</b> <b>Less:</b> Deductions during the year <b>Total</b>	 269,075,567 - 19,298,847 <b>288,374,414</b> - <b>288,374,414</b>	 252,546,766 - 16,528,801 <b>269,075,567</b> - <b>269,075,567</b>
	<b>TOTAL</b>	<b>13,830,118,095</b>	<b>12,641,733,673</b>

### Schedule - 3 : Loan Funds

S.No	Particulars	As at 31.3.2011 Rs	As at 31.3.2010 Rs
<b>1</b>	<b>SECURED LOANS</b>		
	<b>i) Loans and Advances from Banks</b>		
	a) SBH (Charge on Current Assets)	2,500,065,730	861,400,000
	b) Canara Bank	970,000,000	920,000,000
	c) Syndicate Bank	2,476,460,737	1,801,976,876
	d) Karnataka Bank	379,166,665	400,000,000
	e) State Bank of Hyderabad (T&D)	1,999,952,865	-
	f) Corporation Bank	750,000,000	-
	<b>ii) From Others</b>		
	a) REC (Guaranteed by Government)	8,253,543,556	6,774,367,046
	b) PFC Ltd on Hypothecation of Future Assets	3,776,930,448	2,864,562,056
	<b>Sub-Total</b>	<b>21,106,120,001</b>	<b>13,622,305,978</b>
<b>2</b>	<b>UNSECURED LOANS</b>		
	<b>i) Loans from Banks</b>		
	a) Bank of Baroda	2,500,000,000	1,500,000,000
	b) Indian Overseas Bank	2,500,000,000	1,500,000,000
	c) Bank of India	2,000,000,000	2,000,000,000
	d) Andhra Bank	4,750,000,000	3,722,600,000
	e) Punjab & Sind Bank	1,000,000,000	-
	f) Syndicate Bank	3,000,000,000	1,000,000,000
	g) UCO Bank	-	1,250,000,000
	h) Dena Bank	3,000,000,000	1,000,000,000
	i) Canara Bank	750,000,000	750,000,000
	j) Corporation Bank	-	1,250,000,000
	k) State Bank of Mysore	-	750,000,000
	l) State Bank of India	2,500,000,000	1,500,000,000
	m) State Bank of Hyderabad	-	3,500,000,000
	n) Vijaya Bank	3,000,000,000	2,000,000,000
	o) Federal Bank	1,000,000,000	750,000,000
	p) Development Credit Bank	500,000,000	500,000,000
	q) Oriental Bank of Commerce	500,000,000	750,000,000
	r) Tamilnadu Mercantile Bank	-	500,000,000
	s) Central Bank of India	500,000,000	-
	t) Indian Bank	2,500,000,000	-
	u) Karur Vysya Bank	750,000,000	-
	v) Union Bank of India	250,000,000	-
	w) Bank of Maharashtra	500,000,000	-
	x) Andhra Bank	260,257,505	326,706,233
	y) State Bank of Hyderabad	1,500,000,000	-
	<b>ii) Other Loans and advances</b>		
	a) Government of Andhra Pradesh	368,479,775	420,842,775
	b) APSEB Bonds 2004 Series	367,500,000	367,500,000
	<b>Sub-Total</b>	<b>33,996,237,280</b>	<b>25,337,649,008</b>
	<b>TOTAL</b>	<b>55,102,357,281</b>	<b>38,959,954,986</b>

## Schedule 4 - Fixed Assets

S. No	Particulars	Gross Block			Depreciation & Amortization				Net Block	
		As at 1-04-2010	Additions during the year 2010-11	Deductions/ Adjustments during the Year 2010-11	As at 31.03.2011	Up to 31-03-2010	For the year	Adjustments/ Deductions during the year	Upto 31.03.2011	As at 31.03.2011
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	<b>TANGIBLE ASSETS</b>									
1	Land and Land rights	36,717,087	33,540,829	-	70,257,916	-	-	0	70,257,916	36,717,087
2	Buildings	1,409,677,280	329,771,974	-	1,739,449,254	235,669,169	46,241,874	281,911,043	1,457,538,211	1,174,008,111
3	Other Civil Works	264,778,835	73,548,037	-	338,326,872	11,323,338	8,337,323	19,660,661	318,666,212	253,455,497
4	Plant and Machinery	21,422,207,505	3,886,405,538	18,700	25,308,631,743	8,667,148,834	1,431,059,845	1,975,044	15,208,448,020	12,755,058,671
5	Lines and Cable Network	22,465,798,443	1,845,505,561	-	24,311,304,004	11,553,529,369	1,241,807,773	331,002	11,515,635,860	10,912,269,074
6	Meters and Metering equipment	5,033,645,875	353,031,198	145,800	5,386,822,873	2,624,645,657	456,864,590	1,644,015	2,303,668,610	2,409,000,218
7	Vehicles	38,060,582	73,871	-	38,134,453	32,482,833	893,985	-	4,757,636	5,577,749
8	Furniture and Fixtures	55,868,638	12,664,620	-	68,533,258	29,436,126	4,966,731	(28)	34,130,430	26,432,512
9	Office Equipment	443,517,892	36,760,087	-	480,277,979	159,700,044	51,941,219	3	268,636,713	283,817,848
10	<b>Sub - Total</b>	<b>51,170,272,137</b>	<b>6,571,301,715</b>	<b>164,500</b>	<b>57,741,738,352</b>	<b>23,313,935,370</b>	<b>3,242,113,340</b>	<b>3,950,036</b>	<b>31,181,739,608</b>	<b>27,856,336,767</b>
11	Devolution	18,700	-	(18,700)	-	-	-	-	-	18,700
	<b>TOTAL</b>	<b>51,170,290,837</b>	<b>6,571,301,715</b>	<b>145,800</b>	<b>57,741,738,352</b>	<b>23,313,935,370</b>	<b>3,242,113,340</b>	<b>3,950,036</b>	<b>31,181,739,608</b>	<b>27,856,355,467</b>
12	Assets not in use (Plant & Machinery)	818,096	-	(145,800)	672,296	-	-	-	672,296	818,096
	<b>TOTAL TANGIBLE ASSETS</b>	<b>51,171,108,933</b>	<b>6,571,301,715</b>	<b>-</b>	<b>57,742,410,648</b>	<b>23,313,935,370</b>	<b>3,242,113,340</b>	<b>3,950,036</b>	<b>31,182,411,904</b>	<b>27,857,173,563</b>
	<b>INTANGIBLE ASSETS</b>									
	Computer Software	70,085,107	19,367,835	-	89,452,942	18,630,101	17,198,966	35,829,067	53,623,876	51,455,006
	<b>GRAND TOTAL</b>	<b>51,241,194,040</b>	<b>6,590,669,550</b>	<b>-</b>	<b>57,831,863,590</b>	<b>23,332,565,471</b>	<b>3,259,312,305</b>	<b>3,950,036</b>	<b>31,236,035,778</b>	<b>27,908,628,569</b>
	Grand Total of Previous Year	44,339,074,136	6,902,119,903	-	51,241,194,040	20,379,605,706	2,952,959,765	-	27,908,628,569	23,959,468,430

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

S.No	Particulars	As at 31.3.2011 Rs	As at 31.3.2010 Rs
1	Capital work-in-progress	6,960,720,601	6,053,314,098
	<b>TOTAL</b>	<b>6,960,720,601</b>	<b>6,053,314,098</b>

### Schedule - 6 : Investments

S.No	Particulars	As at 31.3.2011 Rs	As at 31.3.2010 Rs
<b>LONG TERM INVESTMENTS (AT COST)</b>			
<b>1</b>	<b>Contingency Reserve Investments ( Non 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 31.03.2011 Rs.10,00,000 each)	132,000,000	132,000,000
	b) APPFC Bonds -58 bonds of FV Rs.10,00,000/- each (Market Value as on 31.03.2011 Rs.10,00,000 each)	58,000,000	11,000,000
	<b>Unquoted</b>		
	a) 5.64% Central Govt.securities- 2,00,000 bonds of F.V. Rs 100 each.	19,876,333	19,876,333
	b) 8.35% Central Govt.Securities - 1,72,000 bonds of F.V 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 F.V. Rs 1,00,000 each.	10,400,000	10,400,000
	e) Investment in APSFC - 16 Bonds of FV Rs.10,00,000/- each - Unsecured, redeemable, non-convertible, Non SLR Bonds Series-II-2008	16,000,000	16,000,000
	<b>Sub Total</b>	<b>260,013,606</b>	<b>213,013,606</b>
<b>2</b>	<b>Other Investments - (Trade)</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
	b) Kadiri West - 1 share of Face Value Rs.16,700 each	-	16,700
	c) Kadiri West - 55 Shares of Face Value Rs.1,00,000 each	-	5,500,000
	d) Kadiri East - 46 Shares of Face Value Rs.1,00,000 each	-	4,600,000
	e) Investments in APPDC Equity Fund (5,98,20,000 Equity Shares of Face Value @ Rs.10 each)	598,200,000	115,000
	<b>-Non-Trade</b>		
	f) SBI Mutual Funds - 11,11,241.895 units of face value of Rs.10 each	11,329,000	11,329,000
	<b>Sub Total</b>	<b>609,529,000</b>	<b>28,346,700</b>
	<b>GRAND TOTAL</b>	<b>869,542,606</b>	<b>241,360,306</b>

### Schedule - 7 : Current Assets Loans And Advances

S.No	Particulars	As at 31.3.2011 Rs	As at 31.3.2010 Rs
<b>CURRENT ASSETS</b>			
<b>1</b>	<b>INTEREST ACCRUED ON</b>		
	- Investments	7,189,582	7,083,228
	- Others	170,660	3,960,061
	<b>TOTAL</b>	<b>7,360,242</b>	<b>11,043,289</b>
<b>2</b>	<b>INVENTORIES</b>		
	Stores and Spares	2,251,846,278	983,713,648
	<b>Add:</b> Materials stock (excess)/Shortage pending investigation	(127,022)	(359)
	<b>Less:</b> Provision for Recovery/Write Off of Cost of Materials	367,167,056	367,167,056
	<b>TOTAL</b>	<b>1,884,552,200</b>	<b>616,546,233</b>
<b>3</b>	<b>SUNDRY DEBTORS</b>		
	<b>a) Outstanding for a period exceeding 6 months</b>		
	i) Considered Good	5,591,490,849	3,359,640,515
	ii) Considered Doubtful	4,348,472,359	4,672,026,610
		<b>9,939,963,208</b>	<b>8,031,667,125</b>
	Less: Provision for Doubtful Debts	4,348,472,359	4,672,026,610
	<b>Sub Total</b>	<b>5,591,490,849</b>	<b>3,359,640,515</b>
	<b>b) Other Debts</b>		
	i) Considered Good		
	- Unbilled Revenue Provision	8,252,884,146	6,584,497,113
	- Others	3,011,037,957	2,338,473,928
	- FSA Provision	20,854,000,000	6,774,000,000
	<b>Sub Total</b>	<b>32,117,922,103</b>	<b>15,696,971,041</b>
	ii) Considered Doubtful	-	-
	<b>Sub Total</b>	<b>32,117,922,103</b>	<b>15,696,971,041</b>
	<b>Total</b>	<b>37,709,412,953</b>	<b>19,056,611,556</b>
<b>4</b>	<b>a) Cash balance on Hand</b>	106,181,949	353,569,925
	<b>b) Balance with Scheduled Banks:</b>		
	i) Current Accounts	1,370,127,495	1,020,490,520
	ii) Fixed Deposits	120,240,806	497,880,310
	<b>Sub Total</b>	<b>1,596,550,250</b>	<b>1,871,940,755</b>
<b>5</b>	<b>OTHER CURRENT ASSETS</b>		
	a) from Government of Andhra Pradesh	44,531,064,468	44,881,797,185
	b) from APSEE Master P& G Trust	435,938,268	274,463,638
	c) Receivable from APPCC	1,758,946,872	333,256,860

<b>d) from Others</b>		
i) Inter Unit Accounts	16,086,490	123,277,311
ii) Amount Receivable from Employees & Others	65,568,038	83,390,410
iv) ACD/CD Arrears Receivable	10,760,840	9,140,935
v) Receivables - RESCOs	522,019,022	522,019,022
vi) Receivable from NPDCL	663,514,551	-
vii) Others	365,332,146	287,489,759
<b>Sub - Total - 'd'</b>	<b>1,643,281,087</b>	<b>1,025,317,437</b>
<b>TOTAL</b>	<b>48,369,230,695</b>	<b>46,514,835,120</b>
<b>6 LOANS AND ADVANCES</b>		
a. Loans/Advances to Staff (Considered Good)	16,265,303	19,546,619
<b>b). Amount recoverable in cash or in kind or for value to be received ( Considered Good except as stated in Note No.12 )</b>		
i)Advances for Suppliers/Contractors	601,141,230	178,960,787
ii)Share Application Money	339,900,000	473,485,000
iii) Tax Deducted at Source	13,848,641	9,765,361
iv) Advance Tax	0	3,723,790
v) Deposits with Others	458,124,141	453,427,247
vi) Prepaid Expenses	3,831,492	146,279
<b>TOTAL</b>	<b>1,433,110,807</b>	<b>1,139,055,083</b>
<b>Grand Total</b>	<b>91,000,217,147</b>	<b>69,210,032,036</b>

### Schedule - 8 : Current Liabilities And Provisions

S.No	Particulars	As at 31.3.2011	As at 31.3.2010
		Rs	Rs
<b>1</b>	<b>CURRENT LIABILITIES</b>		
	a) Sundry Creditors (Net)	18,117,715,126	19,077,626,252
	<b>b) For Others</b>		
	i) APCPDCL P & G Trust	803,062,197	279,197,240
	ii) Discom GPF Trust	295,540,102	281,404,703
	iii) Creditors for Expenses (Net)	70,101,191	76,661,009
	iv) Entry Tax	113,708,296	113,708,296
	v) TDS	17,547,640	4,631,128
	vi) Employee Liabilities	693,402,467	304,069,232
	vii) Other Liabilities	3,159,431,415	4,414,588,936
	viii) Advances from HT Consumers	948,797	256,896,486
	c) Security and Other Deposits	1,348,348,110	1,405,618,652
	d) Security Deposits from Consumers (including Interest thereon)	13,931,217,005	12,680,379,749

e) Payable to APTRANSCO	1,269,855,667	310,604,941
f) Payable to EPDCL	11,527,107,731	3,264,375,291
g) Payable to NPDCL	-	439,175,265
h) Payable to SPDCL	2,436,444,153	1,590,094,629
i) Payable to Government of Andhra Pradesh	329,866,671	436,667,033
j) Interest Accrued but not due	52,987,121	61,381,844
<b>Sub Total</b>	<b>54,167,283,689</b>	<b>44,997,080,686</b>
<b>2 PROVISIONS</b>		
a) Provision for Leave Encashment	1,365,689,284	1,352,210,900
b) Provision for Gratuity	75,418,769	43,311,981
c) Provision for Income Tax	29,233,332	5,511,294
<b>Sub Total</b>	<b>1,470,341,385</b>	<b>1,401,034,175</b>
<b>TOTAL</b>	<b>55,637,625,074</b>	<b>46,398,114,861</b>

### Schedule - 9 : Revenue From Sale Of Power

S.No	Particulars	For the Year 2010-11 Rs	For the Year 2009-10 Rs
<b>Revenue from Sale of Power</b>			
<b>1</b>	<b>L.T.Supply</b>		
	Cat.-I Domestic	15,059,225,644	13,567,780,086
	Cat.-II Non-Domestic	10,774,688,841	9,469,193,442
	Cat-III Industrial	5,620,771,052	5,009,404,170
	Cat-IV Cottage Industries	30,559,073	30,496,713
	Cat-V Agriculture	71,322,886	86,022,726
	Cat-VI Street Lights	1,404,165,475	1,418,197,418
	Cat-VII General Purpose	259,725,202	235,202,299
	Cat-VIII Temporary Supply	25,520,943	23,432,546
	<b>Sub-Total (LT-Supply)</b>	<b>33,245,979,116</b>	<b>29,839,729,400</b>
<b>2</b>	<b>H.T. Supply</b>		
	Cat.I Industrial	38,039,461,703	30,770,860,830
	Cat.II Non-Industrial	8,246,836,463	6,577,649,097
	Cat.IV Agricultural	878,244,487	821,224,140
	Cat.V Railway Traction	508,225,612	449,665,813
	Cat.VI Residential	398,779,824	408,785,610
	Cat. VIII Temporary Supply	64,707,088	66,062,809
	<b>Sub-Total (HT Supply)</b>	<b>48,136,255,178</b>	<b>39,094,248,299</b>
<b>3.</b>	<b>DD Revenue</b>		
	Inter State Sales	229,878,191	597,072,526
	FSA Sale of Power	1,212,022,681	193,532,111
	<b>Sub-Total</b>	<b>15,521,900,872</b>	<b>7,564,604,637</b>

4	Wheeling Charges	46,897	549,791
5	Electricity Duty Recoveries	1,204,041,420	1,032,220,512
6	Theft of Power/Malpractice	108,409,796	120,629,049
7	<b>LT Customer Charges</b>		
	Cat.-I Domestic	1,097,059,287	1,024,469,519
	Cat.-II Non-Domestic	159,492,076	150,809,171
	Cat-III Industrial	31,293,315	28,761,664
	Cat-IV Cottage Industries	1,292,752	1,265,843
	Cat-V Agriculture	227,577,944	220,599,963
	Cat-VI Street Lights	15,963,407	15,605,497
	Cat-VII General Purpose	5,473,141	4,677,761
	Cat-VIII Temporary Supply	80,928	37,019
	<b>Sub-Total (LT Cust. Chg.)</b>	<b>1,538,232,849</b>	<b>1,446,226,437</b>
8	<b>HT Customer Charges</b>		
	Cat.I Industrial	28,778,115	25,930,670
	Cat.II Non-Industrial	17,954,796	16,066,629
	Cat.IV Agricultural	2,029,499	2,008,204
	Cat.V Railway Traction	60,764	54,160
	Cat.VI Residential	873,078	852,262
	Cat. VIII Temporary Supply	145,152	210,807
	<b>Sub-Total (HT Cust. Chg.)</b>	<b>49,841,404</b>	<b>45,122,732</b>
	<b>Total</b>	<b>99,804,707,532</b>	<b>79,143,330,857</b>

### Schedule - 10 : Revenue Subsidies & Grants

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
1	Tariff Subsidy	8,201,800,000	10,277,100,000
2	Additional Subsidy For Expensive Power	7,813,900,000	12,349,400,000
	<b>Total</b>	<b>16,015,700,000</b>	<b>22,626,500,000</b>

### Schedule - 11 : Other Income

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
1	Interest on Staff Loans and Advances, FDR's		
	a) Staff Loans & Advances	210,916	292,591
	b) Fixed Deposits & Others	15,775,056	28,669,666
2	Surcharge/Interest on ACD/CD Arrears	118,322,330	108,624,345
3	DPS Charges from Consumers	1,167,021,428	921,501,270

<b>4</b>	Miscellaneous Receipts		
	i) Rebate on Power Purchase	1,100,226,904	1,086,099,095
	ii) Fines & Penalties from Suppliers & Contractors	168,484,163	77,777,389
	iii) Profit on Sale of Scrap	1,829,577	14,438,888
	iv) Excess found on Physical Stock Verification	478,360	986,050
	v) Sale of Tender Schedules	5,852,995	7,353,117
	vi) Rental from Contractors	2,464,565	2,712,300
	vii) Other Income	973,038,469	885,463,232
	viii) Capacitor Surcharge	406,436,962	296,647,686
	ix) Interest on ED	24,037,604	17,371,074
	x) Application Registration Fees	17,365,374	11,420,983
	xi) Supervision Charges	245,736,384	227,785,887
	xii) Miscellaneous Income	22,530,785	181,712,192
	<b>Sub-Total (Miscellaneous Receipts)</b>	<b>2,968,482,143</b>	<b>2,809,767,893</b>
<b>5</b>	Withdrawal from Consumer Contribution towards		
	Depreciation on Fixed Assets	1,440,543,994	1,287,284,793
	<b>Total</b>	<b>5,710,355,867</b>	<b>5,156,140,558</b>

### Schedule - 12 : Purchase Of Power

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
<b>1</b>	Purchase of Power & Transmission Charges, etc.	101,732,682,583	91,058,985,029
	<b>Total</b>	<b>101,732,682,583</b>	<b>91,058,985,029</b>

### Schedule - 13 : Employee Costs

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
<b>1</b>	Salaries, Wages and Bonus	5,246,607,360	3,395,329,065
<b>2</b>	Directors Remuneration and Allowances	8,254,109	6,279,333
<b>3</b>	Pension Contribution & Terminal Benefits	1,423,342,875	710,578,405
<b>4</b>	Employees Welfare expenses	66,180,842	11,042,619
	<b>Sub-Total</b>	<b>6,744,385,186</b>	<b>4,123,229,422</b>
<b>5</b>	<b>Less: Employees Cost Capitalised</b>	492,560,400	322,641,720
	<b>Total</b>	<b>6,251,824,786</b>	<b>3,800,587,702</b>

### Schedule - 14 : Administration And General Expenses

S.	Particulars No	For the year 2010-11		For the year 2009-10	
		Rs.	Rs.	Rs.	Rs.
1	Licence fees - APERC		21,148,128		21,148,128
2	Repairs and Maintenance to				
	a) Plant and Machinery	1,281,473,144		1,349,865,786	
	b) Buildings & Civil works	12,176,036		12,261,112	
	c) Vehicles	40,543,533		38,929,342	
	d) Others	43,829,141	1,378,021,854	112,357,951	1,513,414,191
3	Vehicle Hire charges		161,556,749		123,705,995
4	Rent		9,270,652		11,205,961
5	Rates & Taxes		54,302,725		30,280,995
6	Insurance		602,413		965,236
7	Telephone Charges		52,486,081		41,633,495
8	Postage & Telegrams		1,962,540		1,947,313
9	Legal Charges		13,740,540		4,545,501
10	Audit Expenses and Fees : of which				
	a) Audit Fee	952,950		803,000	
	b) Out of Pocket Expenses	150,000	1,102,950	150,000	953,000
11	Consultancy Charges		13,873,500		9,275,540
12	Professional Charges		15,016,459		15,613,405
13	Other Professional Charges		143,610,341		140,952,820
14	e-Seva Transaction Charges		28,241,914		29,916,362
15	Consumer Service Centre Charges		10,498,858		15,469,065
16	AP Online Charges		10,109,331		7,379,237
17	Printing & Stationery		39,812,825		30,294,225
18	Advertisement		13,181,360		21,055,416
19	Electricity Charges		60,688,178		46,521,329
20	Conveyance and Traveling Expenses		214,702,544		171,025,205
21	Sittings Fee		48,000		54,000
22	Other Expenses		90,241,346		44,721,222
	<b>Sub Total</b>		<b>2,334,219,288</b>		<b>2,282,077,641</b>
	<b>Less: Administration &amp; General Capitalised</b>		<b>86,904,364</b>		<b>56,942,671</b>
	<b>Total</b>		<b>2,247,314,924</b>		<b>2,225,134,970</b>

**Schedule - 15 : Other Expenses**

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
1	Compensation for Injuries, Death & Damages	22,963,145	14,776,634
2.	Rebate on Power Bills	2,161,233	835,386
3.	Bad Debts Written Off	208,700,061	29,482,080
4	H T Incentive	335,195,875	977,581,248
5	Other Costs	395,767,060	195,638,890
	<b>Total</b>	<b>964,787,374</b>	<b>1,218,314,238</b>

**Schedule - 16 : Interest And Finance Charges**

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
1	Interest on State Government Loans	60,000	144,967
2	Interest on REC Loans	739,170,483	638,977,298
3	Interest on PFC Loans	456,234,631	269,893,710
4	Interest on APSEB Bonds (2004)	42,630,000	42,630,000
5	<b>Interest on loans from Banks</b>		
	i) ICICI	0	45,875,770
	ii) Andhra Bank	25,235,725	45,313,687
6	Other Interest/Finance charges	4,785,129,467	3,783,564,488
	<b>Sub-Total</b>	<b>6,048,460,306</b>	<b>4,826,399,920</b>
	Less: Interest and Finance Charges Capitalised	249,103,040	215,784,794
	<b>Net</b>	<b>5,799,357,266</b>	<b>4,610,615,126</b>

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

S.No	Particulars	For the Year 2010-11	For the Year 2009-10
		Rs	Rs
1	<b>Income relating to Prior Years</b>		
	a) Receipts Prior Period	42,911,843	(96,693,455)
	b) Other Excess Provisions	1,609,913	57,409,908
	<b>Sub-Total</b>	<b>44,521,756</b>	<b>(39,283,547)</b>
2	<b>Prior Period Expenses / Losses</b>		
	a) Operating Expenses	5,345,732	(44,558,390)
	b) Interest & Other Finance Charges	(606,243)	-
	<b>Sub-Total</b>	<b>4,739,489</b>	<b>(44,558,390)</b>
	<b>Net Prior Period Credits</b>	<b>39,782,267</b>	<b>5,274,843</b>

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

### **Schedule 18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

#### **I. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF ACCOUNTING**

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

##### **2. REVENUE RECOGNITION**

###### **a) Sale of Power:**

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

- b) 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), dated: 07-06-2005 notified the transfer of Bulk Supply Undertaking and Power Purchase Agreements from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) to the four Distribution Companies (DISCOMs), in specified ratios, as on 09-06-2005. The share of the Company in generation capacities of all generating stations allocated to the four DISCOMS is 43.48%.

The GOAP has, vide G.O. Ms No.53, Energy (Power-III), dated: 28.04.2008, amended the share of four DISCOMs in the Generating Stations as per which the revised share of 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 G.O. 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 account 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 , SBH, Corporation 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 31.03.2011 are as follows-

**Rs. Crores**

Particulars	2010-11	2009-10
Gross Block Value	5783.19	5,124.12
Accumulated Depreciation	2659.58	2,333.26
Net Block Value	3123.60	2,790.86

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

- 4.2** The assets have been insured wherever considered essential.
- 4.3 Consumer Contributed Assets:** During the year 2010-11, the Company has received Consumer Contribution (including Subsidies, Grants and Donations towards Cost of Capital Assets) amounting to Rs. 260.96 Crores (Previous year Rs.304 Crores). In proportion in which depreciation on the concerned assets has been charged during the year 2010-11, an amount of Rs. 144.05 Crores (Previous year Rs.128.73 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-

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

**4.5 Interest During Construction:** Interest relating to Construction period of Rs. 24.91 Crores (Previous year Rs. 21.58 Crores) has been capitalized during the year.

## 5. REVENUE:

- a) During the year 2010-11 the Company is eligible for Tariff Subsidy Rs. 820.18 Crores (Previous Year Rs. 1027.71 Crores) and Additional Subsidy for Expensive Power aggregating to Rs. 781.39 Crores (Previous Year Rs.1234.94 Crores).
- b) 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. 825.29 Crores (Previous Year Rs.658.45 Crores). As per actual billing the amount works out to Rs. 857.10 Crores (Previous Year Rs. 687.44 Crores). Additionally, Rs. 1408 Crores (Previous Year Rs. 677.40 Crores) towards FSA was provided in the books of accounts during the F Y 2010-11, subject to approval by the APERC.
- c) 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 2010-11 works out to Rs. 12.95 Crores (Upto Previous Year Rs. 10.42 Crores). However ED is being levied on Ferro Alloys from 1.04.2011.

## 6. INVENTORIES:

- a) Net Realizable value has been obtained and compared with the cost in respect of all major materials.
- b) Inventories are valued at lower of cost and net realizable value.

## 7. SUNDRY DEBTORS:

The details of Sundry Debtors as on 31.03.2011 (net of credit balances) are given below:

Particulars	Rs. Crores	
	As on 31.03.2011	As on 31.03.2010
Court Cases	280.97	248.69
R.R. Act	46.81	52.82
Disconnected / Bills Stopped	204.90	165.52
Others	762.42	569.98
	<b>1295.10</b>	<b>1037.01</b>
Add: a) Unbilled Revenue Provision	825.29	658.45
b) FSA Provision	2085.40	677.40
	<b>4205.79</b>	<b>2372.86</b>
Less: Provision for Doubtful Debts	434.85	467.20
<b>Sundry Debtors</b>	<b>3770.94</b>	<b>1905.66</b>

## 8. EMPLOYEE RELATED BENEFITS:

### A) Terminal Benefits:

- a) Employees who joined prior to 1.02.1999

During the year the Company has not carried out Actuarial Valuation of Terminal Benefits. The Company, based on the Actuary Report dated 27<sup>th</sup> July 2009, has contributed 29.80% of Basic & DA towards Pension & Gratuity to the APCPDCL Pension & Gratuity Trust.

During the year, the amount charged to Profit & Loss account is Rs.103.67 Crores (Previous Year Rs.49.07 Crores) towards provision for Pension & Gratuity.

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.80.31 Crores to APCPDCL P & G Trust as on 31.03.2011 (Previous Year Rs.27.92 Crores)
- c) APSEE Master P & G Trust owes Rs. 43.59 Crores (Previous Year Rs. 27.45 Crores) to the Company as on 31.03.2011.
- d) The Company owes Rs. 29.55 Crores (Previous Year Rs. 28.14 Crores) to APCPDCL GPF Trust. Interest on GPF for the financial year 2010-11 of Rs 2.03 Crores (Previous Year Rs. 2.14 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.3.37 Crores (Previous Year Rs.1.60 Crore).

- f) No Bonus has been paid by the Company during the year ended March 31, 2011. Ex-gratia payment during the year amounts to Rs. 1.35 Crore. (Previous Year Rs.1.25 Crore.).

## **B) Leave Encashment**

During the year an amount of Rs. 18.96 Crores (Previous Year Rs. 11.22 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 31.3.2011 and accordingly, has made a provision of Rs. 20 Crores towards Leave Encashment during the year (Previous Year Rs. 20 Crores).

## **OTHERS:**

- 09. The Company is in the process of reconciling other claims under Inter Unit accounts balance amounting to Rs 1.61 Crores (Previous Year Rs. 12.33 Crores).
- 10. Remittances-in-transit of Rs. 0.17 Crores (Cr.) (Previous Year Rs. 0.65 Crores (Cr.) is on account of excess credit given by SBH and other Banks. The same will be reconciled with the bank authorities.
- 11. Bank Reconciliation Statement shows the following unreconciled items to end of 31<sup>st</sup> March 2011.
  - a) Unidentified Credits in Bank Statements Rs. 7.92 Crores; and
  - b) Cheques deposited by the Company but not credited by the bank Rs. 8.45 Crores.
- 12. The amount of 'Deposits with Others' Rs. 45.81 Crores (Previous Year Rs. 45.34 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.

13. 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.
14. The Company has taken over the operations of Kadiri (East & West) RESCOs from 01.12.2004 and Sanjay RESCO from 01.12.2005 as per the orders of Government of Andhra Pradesh. The Company has appointed an independent Chartered Accountant for verification of assets and liabilities submitted by the Liquidator. Based on overall circumstances and the report of the Chartered Accountant, it reflects that the Company needs to be compensated to the extent of Rs. 83.13 Crores for take-over of assets and liabilities. The Company has approached the Government of Andhra Pradesh for reimbursement. The decision on the take over of assets and liabilities will be taken after the receipt of decision from the Government.

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-

<b>Rs. Crores</b>		
<b>RESCOs</b>	<b>Sundry Debtors</b>	<b>Consumer Security Deposits</b>
Sanjay RESCO	16.50	0.47
Kadiri East	26.46	0.21
Kadiri West	5.89	0.15

## 15. INVESTMENTS:

- 15.1 Gross Interest earned on Investments earmarked for Contingency Reserve Fund are reinvested.
- 15.2 The Company had committed to invest Rs. 314.45 crore in Andhra Pradesh Power Development Company Limited (APPDCL) between 2007-08 and 2012-13. Out of committed equity of Rs. 314.45 crore, the Company had invested Rs. 93.81 Crores upto 2010-11. Out of which Shares have been allotted for Rs. 59.82 crores. The Companies commitment to invest in APPDCL is less than 20% of its Equity and the investment is treated as a Trade Investment in the books of accounts.
16. During the process of Internal Audit:
- 16.1 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.
- 16.2 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.

- 16.3 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. 0.218 Crores has since been recovered. Management has initiated necessary disciplinary proceedings against the concerned staff.
- 16.4 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.
17. 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. 0.75 Crores (including surcharge) 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 on 1292 transactions. No charge back cases were noticed during FY 2010-11.
- 18 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.
19. Income-tax assessments for the Assessment Years 2009-10 & 2010-11 are pending. For the Assessment Years 2005-06 , 2006-07 & 2008-09, the Assessing Officer has added Rs.16.90 Crores, Rs. 0.70 Crores & Rs.108.28 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 & 2008-09 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.
20. Sales-Tax assessments for the years 2007-08, 2008-09 & 2009-10 are pending.
21. No Capacitor lease rental payments have been made during the year since the lease period has been completed.
22. **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 31.03.2011 is Rs. 2.53 Crores (Previous Year Rs. 2.03 Crores).
- During the year the Interest on Savings Fund of Rs. 0.64 Crores (Previous Year Rs. 0.57Crores) has been debited 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. 0.16 Crores (Previous Year Rs 0.25 Crores) has been paid and is shown under the Head 'Interest and Finance Charges' in Schedule-16.

23. 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

#### 24. DEFERRED TAX :

The Break-up of Deferred Tax Assets as on 31<sup>st</sup> March, 2011 is as follows:

Rs. Crores

Particulars	As on 31.03.2011	As on 31.03.2010
A) <u>DEFERRED TAX ASSET:</u>		
Carry forward unabsorbed losses, Depreciation	164.01	158.35
B) <u>DEFERRED TAX LIABILITY:</u>		
Timing difference in Depreciable Assets	99.79	88.97
Net Deferred Tax Asset (A-B)	64.22	69.38

#### 25. QUANTITATIVE INFORMATION

MUs

	2010-11	2009-10
Energy Input ( Net )	34079.97	31,932.92
Sale of Energy	28740.93	26,609.56

**26. CONTINGENT LIABILITIES:**

The Company is contingently liable in respect of:

	Rs. Crores	
	2010-11	2009-10
i. Claims against the Company not acknowledged as debts	9.80	11.62
ii. Other amounts for which the Company is contingently liable	4.26	4.26
iii. Capital commitments not provided for	150.35	161.52
iv. Disputed Income Tax (TDS)	93.26	NIL
v. Disputed Entry Tax	33.25	33.25
vi. Sales Tax Penalty for purchase of Cement against G Form	1.34	1.34
vii. Liability under AP VAT Act 2005 (April 2005 to 2009-10)	22.32	21.88
viii. Liability on waiver of monthly Minimum Charges	NIL	NIL

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

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

As per our report of even date

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

Sd/-  
VENKATA KRISHNA RAO P  
**Partner**  
M.No. 204121

Date : 21.07.2011  
Place : Hyderabad

For and on behalf of the Company

Sd/-  
G. ANANTHA RAMU  
**Chairman & Managing Director**

Sd/-  
K. PREMANANDA RAO  
**Chief General Manager(Finance)**

Sd/-  
P.RAJAGOPAL REDDY  
**Director (Finance)**

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

## Average Realisation from Sale of Power Schedule - 3 for FY 2010-11

Consumer Category	No. of Consumers	Sales (MU)	Revenue (Rs.Crs)	% of Units Sold	Average Realisation (Rs/Unit)	2009-10 Average Realisation (Rs/Unit)	HT Incentive (Rs. Crs)
L.T. Cat.-I Domestic	5365757	5539.75	1,505.92	32.43	2.72	2.71	-
L.T. Cat.-II Non-Domestic	682457	1778.53	1,077.47	10.41	6.06	5.91	-
L..T.Cat-III Industrial	53576	1200.67	562.08	7.03	4.68	4.44	-
L.T. Cat-IV Cottage Industries	5600	15.56	3.06	0.09	1.96	1.99	-
L.T. Cat-V Agriculture	946831	7769.57	7.13	45.48	0.01	0.01	-
L.T. Cat-VI Street Lights	67002	711.92	140.42	4.17	1.97	2.03	-
L.T. Cat-VII General Purpose	28120	65.78	25.97	0.39	3.95	3.94	-
L.T. Cat-VIII Temporary Supply	140	2.13	2.55	0.01	12.00	7.37	-
<b>L.T. Total</b>	<b>7149483</b>	<b>17083.91</b>	<b>3,324.60</b>	<b>100.00</b>	<b>1.95</b>	<b>1.84</b>	-
H.T. Cat.I Industrial	3283	9585.11	3,803.95	82.23	3.97	3.61	33.52
H.T. Cat.II Non-Industrial	2085	1448.38	824.68	12.42	5.69	5.28	-
H.T. Cat.IV Agricultural	239	407.40	87.82	3.49	2.16	2.16	-
H.T. Cat.V Railway Traction	4	118.12	50.82	1.01	4.30	4.26	-
H.T. Cat.VI Residential	99	91.23	39.88	0.78	4.37	4.69	-
RESCO			-			0.00	-
H.T. Temp.	5	6.78	6.47	0.06	9.54	9.47	-
<b>H.T. Total</b>	<b>5715</b>	<b>11657.01</b>	<b>4,813.63</b>	<b>100.00</b>	<b>4.13</b>	<b>3.78</b>	<b>33.52</b>
<b>L.T. + H.T. Total</b>	<b>7155198</b>	<b>28740.93</b>	<b>8,138.22</b>	<b>100.00</b>	<b>2.83</b>	<b>2.59</b>	<b>33.52</b>
Add: Electricity Duty			120.40				
<b>Gross Revenue</b>			<b>8,258.62</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 1

**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 3 1 8 5 4 8 9 6

Total Assets

1 3 1 8 5 4 8 9 6

**Sources of Funds**

Paid-up Capital

7 2 8 4 7 9 6

Reserves &amp; Reserve Funds

1 3 8 3 0 1 1 8

Un Secured Loans

3 3 9 9 6 2 3 7

Secured Loans

2 1 1 0 6 1 2 0

**Application of Funds**

Net Fixed Assets

3 1 2 3 6 0 3 5

Investments

8 6 9 5 4 2

Net Current Assets

3 5 3 6 2 5 9 2

Misc Expenditure

N I L

Accumulated Losses

1 1 4 6 1 5 7

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

Turnover

1 2 0 3 2 6 7 2 2

Total Expenditure

1 2 0 2 1 9 4 4 7

Profit/(Loss) Before Tax

1 0 7 2 7 5

Profit/(Loss) After Tax

3 1 2 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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