

Fifth Annual Report

2004 - 05



***Southern Power Distribution Company
of Andhra Pradesh Limited***

Board of Directors



Sri P. Gopal Reddy
Chairman & Managing Director



Sri Dinesh Kumar, IAS
Non Whole Time Director



Sri P.M.K. Gandhi
Non Whole Time Director



Sri K.P. Anand, IAAS
Director (Finance)



Sri Y. Padmanabha Reddy
Director (Comml. & Proj)



Sri T.H.N.S. Damodara Rao
Director (Opn. & HRD)



Sri V. Krishna Murthy
Director (RAC)



COMPANY SECRETARY

K.Sateesh Gupta

AUDIT COMMITTEE

Sri Dinesh Kumar, IAS
Sri P.M.K.Gandhi
Sri Y.Padmanabha Reddy

AUDITORS

M/s. Shankaran & Krishnan,
Chartered Accountants
Rosewood Offices, No.130-131,
Nungambakkam, M.G.Road,
Chennai - 600034

BANKERS

State Bank of Hyderabad
State Bank of India

REGISTERED OFFICE

19-3-13(M)
Renigunta Road
Tirupati - 517 501
Chittoor (Dist)
Andhra Pradesh
Telephone : (0877) 2284109, 2284112
Fax : (0877) 2284111
URL : www.spdclap.co.in

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**NOTICE**

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) will be held (at Shorter Notice under Section 171(2) of the Companies Act, 1956 pursuant to consent received from all the Members) on Wednesday, the 28th December, 2005 at 11.00 A.M. at the Registered Office of the Company 19-3-13(M), Renigunta Road, Tirupati to transact the following business:

ORDINARY BUSINESS

1. "To receive, consider and adopt the Audited Annual Accounts of the Company for the Year ended 31st March 2005 together with the Directors' Report, Statutory Auditors' Report and Supplementary Audit Report of the Comptroller and Auditor General of India thereon".
2. To take note of the appointment of M/s.Sankaran & Krishnan, Chartered Accountants, Chennai as Statutory Auditors of the Company for the financial Year 2004-05 under the provisions of Section 619 of the Companies Act, 1956 by the Comptroller and Auditor General of India and fix their remuneration
3. To take note of the appointment of M/s.Sankaran & Krishnan, Chartered Accountants, Chennai as Statutory Auditors of the Company for the financial Year 2005-06 under the provisions of Section 619 of the Companies Act, 1956 by the Comptroller and Auditor General of India and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 30 (d) of the Articles of Association of the Company be and is hereby altered by substituting the following Article:

Article 30 (d): Subject to the provisions of the Act, so long as the entire issued share capital of the Company is beneficially owned by the Government of Andhra Pradesh (GOAP), GOAP shall have a right to nominate and appoint all the Directors and to fill any vacancy which may arise as a result of any Director ceasing to hold office for any reason whatsoever and GOAP shall have the right to nominate and appoint one or more of the Directors to the office of Chairman and/or Managing Director for such term and on such remuneration and/or allowances as it may think fit.

5. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following new Article 45A of the Articles of Association of the Company be and is hereby inserted after Article 45:

Article 45 A: The Government of Andhra Pradesh (GOAP) may from time to time issue orders or instructions for regulating the activities of the Company and in particular appoint committees to advise and instruct the management with a view to ensure harmonious working of the Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL), Northern Power Distribution Company of Andhra Pradesh Limited (APNPDCL), Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL), Central Power Distribution Company of Andhra Pradesh Limited (APCPDCL) and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO).

**By order of the Board of Directors of
Southern Power Distribution Company of
Andhra Pradesh Limited**

Sd/-

K.SATEESH GUPTA
Company Secretary

Date : 22-12-2005
Place : Registered Office

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY IN ORDER TO VALID AND EFFECTIVE SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. (Proxy form enclosed).
2. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed to the notice.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 4: Pursuant to Article 30(d) of the Articles of Association of the Company, APTRANSCO shall have a right to nominate Directors / Managing Director/ Chairman of the Company so long as fifty one percent of share capital is beneficially owned by APTRANSCO.

Government of Andhra Pradesh (GOAP), in compliance with the provisions of the Electricity Act, 2003, by G.O. Ms. No.58, dated 07-06-2005 notified the Provisional Third Transfer Scheme in the Gazette No.396, dt.09-06-2005, whereby the rights and obligations and agreements and contracts relating to procurement and Bulk Supply of Electricity or trading of electricity, to which APTRANSCO was originally a party stands transferred and vested in the APCPDCL, APEPDCL, APSPDCL and APNPDCL respectively, in specified ratios with effect from 09-06-2005.

Further ordered in the said Gazette that the Investment of Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) in Southern Power Distribution Company of Andhra Pradesh Limited would be transferred to GOAP. In compliance with the above G.O. and Gazette, the investment of APTRANSCO have been transferred to Government of Andhra Pradesh.

In view of the above, GOAP advised to modify Article 30 (d) of the Articles of Association of the Company suitably vide G.O.Ms.No. 81 dated 02-08-2005 to enable the GOAP to appoint/nominate Directors / Managing Director/ Chairman of the Company.

Pursuant to Section 31 of the Companies Act, 1956, shareholders approval is required for amendment of Articles of Association of the Company. Therefore, your Directors recommend the resolution at item No.4 for approval of the Shareholders. None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Item No.5: In compliance with the above Third Transfer Scheme, it is necessitates the Government of Andhra Pradesh (GOAP) to give instructions from time to time and appoint committees to advise and regulate the affairs of the companies, particularly to ensure harmonious working of the four DISCOMS i.e. APSPDCL, APEPDCL, APCPDCL, APNPDCL and APTRANSCO.

In view of the above, it is necessary to alter the Articles of Association by inserting Article 45 A to empower the GOAP to give instructions from time to time and appoint committees for smooth functioning of the DISCOMs and APTRANSCO.

Pursuant to Section 31 of the Companies Act, 1956, shareholders approval is required for amendment of Articles of Association of the Company. Therefore, your Directors recommend the resolution at item No.5 for approval of the Shareholders. None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

By order of the Board of Directors of
Southern Power Distribution Company of
Andhra Pradesh Limited

Sd/-

K.SATEESH GUPTA
Company Secretary

Date : 22-12-2005

Place : Registered Office

**DIRECTORS' REPORT**

Members,
M/s Sourthern Power Distribution Company of A.P. Limited
Tirupati

Dear Members,

Your Directors have pleasure in presenting the Fifth Annual Report of the Company relating to Financial Year 2004-05 and I trust the Annual Audited Accounts for the said year as circulated have been perused by all of you.

FINANCIAL RESULTS:

Rs in Crores

S.No.	Particulars	Current Year 2004-05	Previous Year 2003-04
a.	Total income	2468.37	2416.40
b.	Total expenditure	2481.77	2422.47
c.	Profit/(Loss) before tax	(13.40)	(6.07)
d.	Provision for income tax	--	0.45
e.	Profit/(Loss) after tax	(13.40)	(6.52)
f.	Net prior period credits/(Charges)	19.38	9.13
g.	Surplus/(deficit)	5.98	2.61

During the year 2004-05, your Company has achieved a profit of Rs.5.98 Crores as against Rs.2.61 Crores in 2003-04 resulting an increase of 129.01%. This has been achieved inspite of reduction in revenue subsidies and grants from the Government of Andhra Pradesh.

During the year under review, total income was increased by 2.15% to Rs.2468.37 Crores from Rs.2416.40 Crores during the previous year. Revenue from sale of power increased from Rs. 1881.59 Crores in 2003-04 to 1991.41 Crores in 2004-05 which represents 5.84%. Revenue subsidies and grants during the year was Rs.334.05 Crores as compared to Rs. 401.58 Crores during the previous year.

Total expenditure during the year was increased by 2.44% to 2481.77 Crores compared to 2422.47 Crores in the previous year. This has resulted in increase of Power purchase cost by 3.17% to Rs.2050.99 Crores in 2004-05 from Rs. 1987.96 Crores in 2003-04 and increase in Repairs & Maintenance expenditure by 21.29% to Rs.31.60 Crores in 2004-05 from Rs.26.06 Crores in 2003-04.

ENERGY SALES

The Company's total sales increased to 9055.56 MU in 2004-05 from 8086.92 MU in 2003-04 resulting an increase of 11.98%. The sales in LT category increased by 11.67% and HT category increased by 13.04% during the year 2004-05.

NOTIFICATION OF THIRD TRANSFER SCHEME BY THE GOVERNMENT OF ANDHRA PRADESH

The Government of Andhra Pradesh, in compliance with the provisions of the Electricity Act, 2003, by G.O.Ms.No.58 dated 07-06-2005 notified the Provisional Third Transfer Scheme in the Gazette No.396, dt.09-06-2005, whereby the rights and obligations and agreements and contracts relating to procurement and bulk supply of Electricity or trading of electricity, to which APTRANSCO was originally a party stands transferred and vested in the APSPDCL, APCPDCL, APEPDCL and APNPDCL respectively, in specified ratios with effect from 09-06-2005.

In order to allow smooth transition to this new arrangement, the Government by G.O.No.59 dated 07-06-2005 put in place an institutional arrangement for effective co-ordination as well as building capacity in DISCOMs to handle the new functions. The said institutional arrangement, inter alia, provides as follows:

1. An Apex Committee called "AP Power Co-ordination Committee" (APPCC) and two Sub-Committees called AP Power Trading Committee (APPTC) and AP Balancing and Settlement Committee (APBSC) will be set up from the date of this Order.

2. The Sub-Committees shall act under the guidance of the Apex Committee
3. The Apex Committee i.e. APPCC will carry out the functions as listed in Annexure A. APPCC would be headed (and convened) by Chairman & Managing Director, APTRANSCO with Director (Finance) & Director (Coordination) of APTRANSCO and Chairman & Managing Directors of all four DISCOMs as Members.
4. The AP Power Trading Committee (APPTC) will carry out the functions as listed in Annexure-B. It will consist of SE-Commercials of all four DISCOMs (to be headed on a rotation basis for a three month period) with CE-Grid Operations from APTRANSCO as special invitee.
5. The AP Balancing & Settlement Committee (APBSC) would carry out the functions as listed in Annexure-C. It will consist of CE-Commercials of all four DISCOMs (to be headed and convened on a rotation basis for a three month period) with CE-Grid Operations and Superintending Engineer-EBC from APTRANSCO as special invitees.

TRANSFER OF SHAREHOLDING FROM APTRANSCO TO GOVERNMENT OF ANDHRA PRADESH

Pursuant to the Third Transfer Scheme vide G.O.Ms.No.58 dated 07-06-2005 notified in the Gazette vide No.396, dt.09-06-2005 and G.O.Ms.No.68 dated 25-06-2005 as amended by G.O.Ms.No.80 dated 02-08-2005, investments held by APTRANSCO in APSPDCL have been transferred to the Government of Andhra Pradesh (GOAP).

On transfer of investments, GOAP holds 100% equity of APSPDCL and the status of the APSPDCL has changed from subsidiary of APTRANSCO to wholly owned Government Company under the provisions of the Companies Act, 1956.

MERGER OF RAYACHOTY AND ATMAKUR RESCOs IN APSPDCL

Registrar of Co-operative Societies (RCS) vide Proceedings No.001/RCS/2002-17 and 18, dated 01.07.2003 directed to wound up Two (2) Rural Electric Supply Co-operative Societies (RESCO) viz., The Rayachoty Rural Electric Co-operative Society Limited, Rayachoty in Kadapa Circle and The Atmakur Rural Electric Co-operative Society Limited, Atmakur in Nellore Circle under section 64 (1) of the A.P.Cooperative Societies Act, 1964 in view of the dismal performance and as per the APERC recommendations after conducting enquiry in to the constitution, working and financial conditions of the RESCOs.

Subsequently, Government of Andhra Pradesh vide G.O.Ms.No.125 dated 15-11-2004 ordered that 274 employees of Rayachoty and Atmakur RESCOs be absorbed into the Southern Power Distribution Company of A.P. Limited and further directed that the APTRANSCO shall take necessary action immediately and take over the functions of the RESCOs. Accordingly APTRANSCO issued orders vide T.O.O.(Per-Addl. Secy) Ms.No.181 dated 09-11-2004 and accorded approval for creation of 274 supernumerary posts in APSPDCL.

In order to facilitate smooth taking over of the Rayachoty and Atmakur RESCOs by APSPDCL, 2 (Two) Committees were constituted to examine, finalise the issues concerning the taking over of Rayachoty and Atmakur RESCOs including absorption of the RESCO employees. However, the company intend to appoint independent Auditors to value the Assets and liabilities of the RESCOs and accordingly the values will be taken in to books of account.

Company has taken over the business operations of two RESCOs from 1st January, 2005 and the customer base has increased by 95422. Accordingly, one Division Office, three sub-divisions and 14 sections were formed.

OPERATIONAL PERFORMANCE OF THE COMPANY FOR THE YEAR 2004-05:

Further your Directors are pleased to present some key achievements in operational areas:

S.No.	Particulars	As on 31-3-2005	As on 31-3-2004
1	Number of 33/11 KV Sub stations	644	597
2	Length of 33 KV line in KM	9132.33	8951.61
3	Length of 11 KV line in KM	59309.92	50988.40
4	Length of LT line in KM	117767.06	112699.83
5	Number of Distribution Transformers	115313	94036
6	Power Transformers	960	877
7	Number of Consumers	4536777	4336286

DISTRIBUTION TRANSFORMER FAILURES:

Distribution Transformer failures reduced to 8.45% in 2004-05 from 9.27% in 2003-04, though Andhra Pradesh Electricity Regulatory Commission (APERC) has fixed the target of 12% in the Tariff Order 2004-05.

DISTRIBUTION LOSSES:

Distribution losses were reduced from 19.34% in 2003-04 to 18.13% in 2004-05 as against target of 18.50% in the Tariff Order 2004-05.

ACHIEVEMENTS OF THE COMPANY DURING 2004-05

- ✓ A total of 2,00,491 new services have been added during the year which includes 117 new HT services
- ✓ 4,12,164 High Quality meters have been fixed with a view to increase in metered sales
- ✓ 47 Nos of 33/11 KV substations have been added during the year to improve quality of power supply
- ✓ During the year under review 18 Nos Hamlets, 1340 Nos Dalitha wadas, 531 Nos weaker section colonies and 4 Nos Tribal colonies/hamlets were electrified.
- ✓ To improve sales and revenues, a total of 78 Nos industrial mixed feeders have been identified and out of which 75 Nos industrial feeders were separated from mixed loads. Action plan has been initiated to separate the balance feeders.
- ✓ During the year under review, 8,707 Nos High Voltage Distribution Transformers have been erected for reliable, uninterrupted and quality of power supply to the consumers.

IT INITIATIVES

Implementation of SAP (ERP Solutions)

The Discom initiated the process of implementing SAP (ERP Solutions) in the areas of Finance & Accounts, Asset Management, Materials Management and Human Resources throughout the Company. As part of implementation, Tirupati circle and Corporate Office have been identified for pilot implementation and commenced training for the employees of pilot circle and Corporate Office. On completion of Tirupati Circle, it will be rolled out to other 5 Circles.

VIGILANCE AND DPE

Continuous efforts are being made for prevention of theft of energy, Anti Power Theft Squad (APTS) Department & DPE Wing have carried out intensive inspection drives during the year 2004-05.

A total of 20,600 theft cases were registered during the year 2004-05 assessing Rs.764.69 lakhs as against 19,775 cases in 2003-04. Out of which 15,562 cases were compounded and 176.79 lakhs collected and 61 persons were prosecuted as against 140 persons in 2003-04.

AGRICULTURE CONSUMPTION

The agricultural consumption in 2003-04 has increased by 13.6% i.e. 3444.52 MU in 2004-05 when compared to 3032.05 MU in 2003-04.

In line with the new agricultural policy announced by the State Government, a total of 4,90,391 agricultural services have been benefited for free power supply in the Company. The subsidy amount will be reimbursed by the Government of Andhra Pradesh to the Company as per APERC Directives.

DIRECTORS:

The Board of Directors of the Company are appointed / nominated by Government of Andhra Pradesh.

The Changes which have been occurred in the composition of Board of Directors of the Company from the date of the last report are as follows:

Name of the Director	Date of appointment	Date of change
1. Sri K.Ranganatham	30-03-2000	11-08-2005
2. Sri D.Sitaramaiah	23-05-2002	03-01-2005
3. Sri T.H.N.S.Damodara Rao	05-01-2005	-
4. Sri Y.Padmanabha Reddy	05-01-2005	-
5. Sri P.Gopal Reddy	12-08-2005	-
6. Sri V.Krishna Murthy	15-12-2005	-

Consequent to the above changes, the composition of the Board of Directors on the date of this report is as follows:

Sri P.Gopal Reddy	-	Chairman & Managing Director
Sri Y.Padmanabha Reddy	-	Director (Projects & Commercial)
Sri T.H.N.S.Damodara Rao	-	Director (Operations & HRD)
Sri K.P.Anand, IA&AS	-	Director (Finance)
Sri V.Krishna Murthy	-	Director (RAC)
Sri Dinesh Kumar, IAS	-	Non Whole Time Director
Sri P.M.K.Gandhi	-	Non Whole Time Director

BOARD MEETINGS 2004-05:

The Board held its meetings on 28th April, 15th September, 23rd October, 27th December all in 2004 and 19th February in 2005 during the financial year 2004-05 in accordance with the provisions of Section 285 of the Companies Act, 1956. The minutes of the meeting disclose the timing of the meeting.

Attendance at the Board of Directors Meetings:

Directors	Meetings held during the tenure of Directors	Meetings attended
Sri K.Ranganatham	5	5
Sri K.Ramaswamy	3	3
Sri D.Sitaramaiah	4	4
Sri A.Venkateshwar, IRAS	2	-
Sri P.M.K.Gandhi	5	1
Sri K.P.Anand, IA&AS	5	5
Sri Y.Padmanabha Reddy	1	1
Sri T.H.N.S.Damodara Rao	1	1

EXTRA ORDINARY GENERAL MEETING

During the year 2004-05, an Extra Ordinary General Meeting of the Company held on 16th March, 2005 at 11.00 A.M. at Vidyut Soudha, Hyderabad to obtain consent of the shareholders under section 293(1)(a) and 293(1)(d) of the Companies Act, 1956.

COMPOSITION OF AUDIT COMMITTEE AND CHANGES THEREIN:

In compliance with the provisions of Section 292 A of the Companies Act, 1956, during the year under review, the Audit Committee has met on 15th September, 2004 and 28th March, 2005. The composition of the Audit Committee on the date of this report is as follows:

1. Sri Dinesh Kumar, IAS
2. Sri P.M.K.Gandhi
3. Sri Y.Padmanabha Reddy

AUDITORS OF THE COMPANY

M/s.Sankaran & Krishnan, Chartered Accountants, Rosewood Offices, No.130-131, Nungambakkam, M.G.Road, Chennai - 600034 were appointed by Comptroller and Auditor General of India (C&AG) as the Statutory Auditors of the Company for the Financial Year 2004-05.

REPLIES TO THE COMMENTS OF THE STATUTORY AUDITORS AND CAG

Replies of the Management to the comments of the Statutory Auditors, Comptroller and Auditor General of India (CAG) and financial review by CAG of India on the accounts of the Company for the year ended 31st march, 2005 are annexed here to and forms part of this report.

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 Directors) Rules, 1998 regarding conservation of energy, technology absorption and foreign exchange earning and outgo are given in annexure I forming part of this report.

PARTICULARS OF EMPLOYEES UNDER SEC 217 (2A) OF THE COMPANIES ACT, 1956

There were no employees drawing remuneration in excess of the prescribed limits whose details are required to be disclosed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

DEPOSITS

During the year under review, the Company has not accepted any public deposits U/s 58 A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. The Annual Accounts are prepared as per the Electricity (supply) Annual Accounts Rules, 1985, notified under Electricity (Supply) Act, 1948, and the applicable Accounting Standards are followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts are prepared on a going concern basis.

INDUSTRIAL RELATIONS:

During the year under review, there were cordial industrial relations amongst the working force at all levels.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and Co-operation extended by the Government of Andhra Pradesh, particularly Energy Department, Andhra Pradesh Electricity Regulatory Commission, Holding Company., APTRANSCO, Comptroller & Auditor General of India, Bankers, Financial Institutions like Rural Electrification Corporation Limited and Power Finance Corporation, suppliers and consumers at large.

Your Directors express their deep sense of gratitude and appreciation to the employees for their unstinted support and relentless efforts at all levels which enabled the overall growth of the Company and to the Employee's Unions and the Officer's Associations for their constructive co-operation.

On behalf of the Board of Directors

Sd/-

P.GOPAL REDDY

Chairman and Managing Director

Date : 22-12-2005

Place : Tirupati

ANNEXURE - I TO THE DIRECTORS' REPORT

Disclosure under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) Conservation of Energy:

1. Due to implementation of HVDS projects (i.e. conversion of existing LT system to High Voltage System) for Agricultural feeders and colonies duly having 3-phase and single-phase transformers respectively, the line losses are drastically reduced from the range of the 15% to 5%.
2. By installing 600 KVA capacitor banks in 11KV lines and 2 MVA capacitor banks in 33/11 KV substations, the reactive power compensation is taken care of and thus the power factor of utilization has been improved.
3. By constructing number of substations and by bifurcating the existing lines, the power flow in the lines is reduced and there by line losses have come down.
4. Replacing the existing old lines with new conductors having less resistance
5. An experimental basis, LT capacitors are installed on the LT side of Distribution Transformers and being studied in one of the sub divisions at Renigunta.
6. Farmers are being encouraged to implement DSM measures to reduce their energy consumption.
7. Consumers are being encouraged to use compact fluorescent lamps to reduce their energy consumption.

(B) Technology absorption : NIL

(C) Foreign Exchange earnings and outgo : NIL

**SANKARAN & KRISHNAN,
CHARTERED ACCOUNTANTS**

Rosewood Offices, 130, MG Road,
Nungambakkam, Chennai - 600 034

AUDITORS' REPORT TO THE SHARE HOLDERS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD

1. We have audited the attached Balance Sheet of Southern Power Distribution Company of Andhra Pradesh Ltd., Tirupati as at 31st March 2005 and the Revenue Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. These financial statements have been prepared in the formats prescribed under Electricity (Supply) Annual Accounts RULES, 1985 as notified by the Central Government in Electricity Supply Act, 1948,

excepting :

- the method followed in the capitalization of interest and finance charges affecting both the capital and revenue accounts.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our observations in the Annexure referred to the above, attention is invited to the following items of Statement of Accounting Policies in Statement No.4 and Notes on Accounts in Statement No.5 of the company.
 - i) In the absence of breakup figures of the Assets and Liabilities taken over from APTRANSCO under the Second Transfer Scheme (Refer Note No.2), we are unable to comment on its impact on the accounts of the company.
 - ii) Non-reconciliation of the amount of Sundry Debtors as per Financial Ledgers and Consumer Ledgers.

(Refer Note No.12 (ii))

- iii) Confirmation has not been obtained in respect of Sundry Debtors, Sundry Creditors and loans and advances. (Refer Note No.18)
- iv) Non-reconciliation of Inter Unit accounts which shows a net difference (debit) of Rs. 5.56 Crores. (Refer Note No.20)
- v) Non-reconciliation/confirmation of the Loan accounts with APTRANSCO, REC, PFC and Government of Andhra Pradesh. (Refer Note No.15)
- vi) Accounting of interest on Family benefit fund, leave encashment, guarantee commission and post retirement medical benefits on cash basis which are not in conformity with AS 9 - Revenue Recognition. (Refer Accounting Policy no.1)
- vii) Accounting of Government grants received and Consumer contribution towards cost of Capital Assets to Capital Reserve and non deduction of the same from cost of the Assets which are not in conformity with AS12 - Accounting for Government Grants and AS10 - Accounting for Fixed Assets, issued by ICAI. (Refer Accounting Policy No.6(ii) and Note No.9(iii))
- viii) Note No.9 (ii) and Accounting Policy No.4 regarding Capitalisation of Work-in-progress of earlier year in the next following year without considering the actual date of putting into use. Further capitalisation of Employee costs during the year amounting Rs.56.28 Crores on adhoc basis which are not in conformity with AS10 - Accounting for Fixed Assets, issued by ICAI.
- ix) Note No.10 (i) regarding charging of depreciation on the opening Gross Block of Assets without considering the additions during the year which is not in conformity with AS6 - Depreciation Accounting. This is also not in accordance with the provisions of the Electricity Supply Act as it results in depreciating the asset to 100% as against the applicable 90% of the Asset Value.
- x) Note No.25 regarding incidental expenses incurred on the purchase of materials treated as period cost and charged to Revenue Account in the year in which it is incurred, instead of adding to the cost of inventory which is not in conformity with AS2 - Valuation of Inventories, issued by ICAI.
- xi) Note No.13 regarding provision for Pension and Gratuity made on adhoc basis and accounting of Leave encashment on cash basis, instead of actuarial valuation for the year which are not in conformity with AS15 - Accounting for Retirement Benefits, issued by ICAI.
- xii) Note No.15 (ii) and Accounting Policy No.4 regarding capitalization of interest and finance charges during construction period and the policy of capitalizing, the work-in-progress of earlier year in the current year, which are not in conformity with AS16 - Borrowing Costs, issued by ICAI, irrespective of the date of put to use.
- xiii) Non-recognition of Deferred tax asset/liability which is not in conformity with AS22 Taxes on income issued by ICAI. (Refer note no.24)
- xiv) Note No.32 regarding non-disclosure of items for which the company is contingently liable including court cases and capital commitments remaining unexecuted which is not in conformity with AS 29 - Provisions, Contingencies and Contingent Assets.
- xv) Note No.5 regarding the accounting of Rs. 4.30 Crores as dues from Railways for the difference in Tariff which is not confirmed by Railways.
- xvi) The non-accounting of Fuel Surcharge Adjustment for the period September, 04 to March, 05 (Refer Note No. 6).
- xvii) Accounting of Guarantee commission of Rs. 5.24 Crores on Government Loan to the Capital work-in-progress and Revenue expenses of the year in full instead of charging it over the life of the guarantee period is not in accordance with the generally accepted accounting principles (Refer Note No.15 (ii)).
- xviii) Note No.14 regarding merger of two RESCOs with the company, the income and expenditure of the two RESCOs have been included in the accounts from 1-1-05 whereas pending assessment of the assets and liabilities of these RESCOs by company, the same has not been incorporated in the books of accounts of the company.
- xix) Note no.17 regarding the Non-provision of the demand of Andhra Pradesh Entry Tax amounting to Rs. 2.35 crores.

xx) Original Share Certificates of Atmakur, Rayachoty & Kuppam RESCOs are not available.

The impact of the items listed in Para 4 (i) to (xx) mentioned above are not quantifiable and we are unable to comment on their impact on the accounts of the company for the year.

5. Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
- b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- c) The Balance Sheet, Revenue Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Balance Sheet, Revenue 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 the deviations expressed in paragraph 4 above in so far as it relates to:

AS 2	:	Regarding Valuation of Inventories
AS 6	:	Regarding Depreciation Accounting
AS 9	:	Regarding Revenue Recognition
AS 10	:	Regarding Accounting for Fixed Assets
AS 12	:	Regarding Accounting for Government Grants
AS 15	:	Regarding Accounting for Retirement Benefits in the Financial Statements
AS 16	:	Regarding Borrowing Costs
AS 22	:	Regarding Taxes on Income
AS 29	:	Regarding Provisions, Contingent Liabilities and Contingent Assets

- e) Since the company is a Government company the provisions of Sec.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, the said accounts read together with the Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and

Subject to:

- i) ***Note No.27 regarding the change in the method of accounting of capitalizing the employee costs at 20% instead of 10% followed in the earlier year, thereby, resulting in the reduction of loss for the year by Rs.28.14 Crores with a corresponding increases in the allocation of capital expenditure.***
- ii) ***Observations and comments given in para 2,4 and 5 above.***

present a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31st March 2005.
- ii) In so far as it relates to the Revenue Account, of the LOSS of the Company for the year ended 31st March 2005 AND
- iii) In so far as it relates to the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Chennai
Date: 25-08-2005

For **Sankaran & Krishnan**
Chartered Accountants
Sd/-
(S.Chandran)
Partner
Membership No.8646

ANNEXURE TO AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- 1) (a) The company has not maintained proper records showing full particulars including quantitative details and situations of fixed assets.
(b) We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.
(c) During the year no substantial part of fixed assets have been disposed off.
- 2) (a) Physical verification of inventory has been conducted during the year
(b) The procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the company and nature of the business.
(c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to the book records are material and the same have been properly dealt with in the books of accounts.
- (3) As informed to us, the company has neither taken nor granted any loans, secured or unsecured to/from companies firms or other parties covered in the register maintained under section 301 of the companies Act, 1956.
- (4) The internal control procedure for the purchase of inventory and fixed assets, sale of goods and services is not adequate.
- (5) In the opinion and according to the information and explanation given to us, there are no contracts or arrangements that need to be entered in the register in pursuance of section 301 of the companies Act, 1956.
- (6) The company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under
- (7) The company does not have an Internal Audit System commensurate with the size and the nature of business. During the year the company had conducted Revenue Audit to verify the accuracy of income in 27 units out of 77 units.
- (8) The Company has maintained the Cost records prescribed by the Central Government under Clause (d) Sub-Section (1) of Section 209 of the Companies Act, 1956.
- (9) (a) There are no undisputed statutory dues including provident fund, income tax, wealth tax, custom duty, excise duty, cess and service tax outstanding more than six months from the date they became payable except in respect of the dues of sales tax and tax deducted at source for which details are not available.
(b) In the case of Andhra Pradesh Entry Tax the following amounts have not been deposited on account of dispute:

Nature of statute	Nature of dues	Year to which it relates	Disputed amount (Rs)	Forum before which the dispute is pending
AP Entry Tax	Entry Tax on Purchases	2003-04, 2004-05	1,72,18,114 63,28,322	The appellate Deputy Commissioner, Kurnool
		Total	2,35,46,436	

An amount of Rs 29,43,305 has been deposited, under protest, in respect of the above during the year

- (10) The company has an accumulated loss of Rs.18.88 crores as on 31.03.2005 which is less than 50% of its net worth and the company has not incurred cash losses during the year and immediately preceding financial year.

- (11) As informed to us, the company has not defaulted in repayment of dues to financial institutions or bank or debenture holders.
- (12) According to the information and explanations given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) The provisions relating to chit fund / mutual benefit fund / societies are not applicable to the company.
- (14) The company is not dealing or trading in shares, securities, debentures and other investments during the year.
- (15) As per the information and explanations provided to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (16) We are informed that pending utilization of the Term loans for stated purpose, the funds were temporarily invested in fixed deposits amounting to Rs 32.77 crores.
- (17) There were no cases, where short-term funds have been utilized for long-term investment.
- (18) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
- (19) The company has not issued any debentures during the year.
- (20) The company has not raised any money by public issue during the year.
- (21) In our opinion and according to the information and explanations given to us, the following frauds were committed on the Company and were reported during the year :

Nature of fraud	Amount involved (Rs)
Theft of (a) Energy	7,64,69,200/-
(b) Materials	50,59,676/-

For **Sankaran & Krishnan**

Chartered Accountants

Sd/-

(S. Chandran)

Partner

Place: Chennai

Date: 25-08-05

Membership No: 8646



SANKARAN & KRISHANAN, CHARTERED ACCOUNTANTS, CHENNAI	SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED
AUDITORS' REPORT	Replies of the Company forming part of the Director's Report to the members under Section 217(3) of the Companies Act, 1956.
1 The method followed in the capitalization of interest and finance charges affecting both the capital and revenue accounts.	This has been consistently followed
2 In the absence of breakup figures of the Assets and Liabilities taken over from APTRANSCO under the Second Transfer Scheme (Refer Note No.2), we are unable to comment on its impact on the accounts of the company.	All the assets of the company have been incorporated in the books of the company through second final transfer scheme notified by the Govt. of A.P. Vide G.O.Ms.No.19 dt.29/9/2001 and these assets were allocated to the Discom. Also the values of these assets were taken into our company's accounts on the basis of estimated pro-rata method adopted by the holding company APTRANSCO. Hence the management has relied on these statements and figures as certified by the holding company APTRANSCO.
3 Non-reconciliation of the amount of Sundry Debtors as per Financial Ledgers and Consumer Ledgers. (Refer Note No.12(ii))	These balances are under reconciliation and the effect of the same will be given once the final report of Audit of Receivables is received.
4 Confirmation has not been obtained in respect of Sundry Debtors, Sundry Creditors and loans and advances. (Refer Note No.18)	These balances are under reconciliation and the effect of the same will be given once the final report of Audit of Receivables is received.
5 Non-reconciliation of Inter Unit accounts which shows a net difference (debit) of Rs. 5.56 Crores. (Refer Note No.20)	This being a running account, the Company is taking necessary steps to reconcile the same periodically.
6 Non-reconciliation/confirmation of the Loan accounts with APTRANSCO, REC, PFC and Government of Andhra Pradesh. (Refer Note No.15)	Steps are being taken to comply the same
7 Accounting of interest on Family benefit fund, leave encashment, guarantee commission and post retirement medical benefits on cash basis which are not in conformity with AS 9 - Revenue Recognition. (Refer Accounting Policy no.1)	The Accounting Policy has been followed consistently.
8 Accounting of Government grants received and Consumer contribution towards cost of Capital Assets to Capital Reserve and non deduction of the same from cost of the Assets which are not in conformity with AS12 - Accounting for Government Grants and AS10 - Accounting for Fixed Assets, issued by ICAI. (Refer Accounting Policy No.6(ii) and Note No.9(iii))	The company has not adjusted consumer contribution received against acquisition of fixed assets, as per the terms of ESAAR, 1985.
9 Note No.9 (ii) and Accounting Policy No.4 regarding Capitalisation of Work-in-progress of earlier year in the next following year without considering the actual date of putting into use. Further capitalisation of Employee costs during the year amounting	This is as per Electricity Supply (Annual Accounts) Rules, 1985

Rs.56.28 Crores on adhoc basis which are not in conformity with AS10 - Accounting for Fixed Assets, issued by ICAI.	
10 Note No.10 (i) regarding charging of depreciation on the opening Gross Block of Assets without considering the additions during the year which is not in conformity with AS6 - Depreciation Accounting. This is also not in accordance with the provisions of the Electricity Supply Act as it results in depreciating the asset to 100% as against the applicable 90% of the Asset Value	The Company has computed depreciation on the gross block (bifurcated into individual heads on prorating method) as given in the Second Transfer Scheme notified by the Government of AP vide G.O.No.109 Energy(Power-III) September 29th,2001.
11 Note No.25 regarding incidental expenses incurred on the purchase of materials treated as period cost and charged to Revenue Account in the year in which it is incurred, instead of adding to the cost of inventory which is not in conformity with AS2 - Valuation of Inventories, issued by ICAI.	All the expenses up to the stores are taken as cost of the material. Incidental Expenses for the movement of material within the stores is taken as period cost and charged to Revenue Account.
12 Note No.13 regarding provision for Pension and Gratuity made on adhoc basis and accounting of Leave encashment on cash basis, instead of actuarial valuation for the year which are not in conformity with AS15 - Accounting for Retirement Benefits, issued by ICAI.	The same will be provided as and when actuarial valuation report to be received in 2005-06.
13 Note No.15 (ii) and Accounting Policy No.4 regarding capitalization of interest and finance charges during construction period and the policy of capitalizing, the work-in-progress of earlier year in the current year, which are not in conformity with AS16 - Borrowing Costs, issued by ICAI, irrespective of the date of put to use.	This policy is as per Electricity Supply (Annual Accounts) Rules, 1985
14 Non-recognition of Deferred tax asset/liability which is not in conformity with AS22 Taxes on income issued by ICAI. (Refer note no.24)	The Company is of the view that no deferred tax Asset or Liability exists in the company.
15 Note No.32 regarding non-disclosure of items for which the company is contingently liable including court cases and capital commitments remaining unexecuted which is not in conformity with AS 29 - Provisions, Contingencies and Contingent Assets.	Management feels that pending court cases will not materially effect the financials of the company.
16 Note No.5 regarding the accounting of Rs. 4.30 Crores as dues from Railways for the difference in Tariff which is not confirmed by Railways.	This has been levied as per the tariff principles applicable and the same has been paid by the Railways.
17 The non-accounting of Fuel Surcharge Adjustment for the period September, 04 to March, 05 (Refer Note No. 6).	The Fuel surcharge adjustment is not an income as well as expenditure to the company as the same has to be reimbursed to the APGENCO through APTRANSCO so it will not have any effect on the financials of the Company.
18 Accounting of Guarantee commission of Rs. 5.24 Crores on Government Loan to the Capital work-in-progress and Revenue expenses of the year in full instead of charging it over the life of the guarantee	This policy is as per Electricity Supply (Annual Accounts) Rules, 1985

<p>period is not in accordance with the generally accepted accounting principles (Refer Note No.15 (ii)).</p>	
<p>19 Note No.14 regarding merger of two RESCOs with the company, the income and expenditure of the two RESCOs have been included in the accounts from 1-1-05 whereas pending assessment of the assets and liabilities of these RESCOs by company, the same has not been incorporated in the books of accounts of the company.</p>	<p>The company has appointed Independent Auditors for valuation and their report is awaited</p>
<p>20 Note no.17 regarding the Non-provision of the demand of Andhra Pradesh Entry Tax amounting to Rs. 2.35 crores.</p>	<p>The same is being reconciled in the ensuing year 2005-06.</p>
<p>21 Original Share Certificates of Atmakur, Rayachoty & Kuppam RESCOs are not available.</p>	<p>Noted for Guidance.</p>
<p>22 Note No.27 regarding the change in the method of accounting of capitalizing the employee costs at 20% instead of 10% followed in the earlier year, thereby, resulting in the reduction of loss for the year by Rs.28.14 Crores with a corresponding increases in the allocation of capital expenditure.</p>	<p>The 10% norms was fixed during APSEB when the capital expenditure in the Transmission & Distribution Sector was minimum. But with demerger of entities, there is more focus on the capital works to improve the lines and net work. More time of the employees of the company has been consumed for monitoring capital works. Hence, an increase in the percentage of allocation of overheads to capital is justified.</p>
<p style="text-align: center;">M/s SANKARAN & KRISHNAN Chartered Accountants</p> <p style="text-align: center;">Sd/- (S.Chandran) Partner</p> <p>Place: Chennai Date : 25-08-2005</p>	<p style="text-align: center;">For and on behalf of the Board</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Sd/- K.P.ANAND Director (Finance)</p> </div> <div style="text-align: center;"> <p>Sd/- P.GOPAL REDDY (Chairman & Managing Director)</p> </div> </div> <p>Place: Tirupati Date: 25-08-2005</p>



ANNEXURE TO THE AUDITORS' REPORT	SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED
This is the annexure referred to in our report of even date (Reference clauses in Annexure to the Auditors' Report)	Replies of the Company forming part of the Director's Report to the members under Section 217(3) of the Companies Act, 1956.
1 (a) The company has not maintained proper records showing full particulars including quantitative details and situations of fixed assets.	Noted for future compliance.
1 (b) We were informed that the Fixed Assets have not been physically verified by the management during the year and hence we are unable to comment on the discrepancy, if any between the physical balance and book records.	Noted for future compliance.
4 The internal control procedure for the purchase of inventory and fixed assets, sale of goods and services is not adequate.	Noted for guidance.
7 The company does not have an Internal Audit System commensurate with the size and the nature of business. During the year the company had conducted Revenue Audit to verify the accuracy of income in 27 units out of 77 units.	Noted for guidance.
<p style="text-align: center;">M/S SANKARAN & KRISHNAN Chartered Accountants</p> <p style="text-align: center;">Sd/- (S.Chandran) Partner</p> <p>Place : Chennai Date : 25-08-2005</p>	<p style="text-align: center;">For and on behalf of the Board</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Sd/- K.P.ANAND Director (Finance) </div> <div style="text-align: center;"> Sd/- P.GOPAL REDDY (Chairman & Managing Director) </div> </div> <p>Place : Tirupati Date : 25-08-2005</p>



**OFFICE OF THE (C&RA)
ACCOUNTANT GENERAL
ANDHRA PRADESH
HYDERABAD -500 004**

No.AG (C&RA)/EBRA-IV/V/2005-06/142

Date:20-12-2005

To
The Chairman and Managing Director
Southern Power Distribution Company of Andhra Pradesh Limited,
TIRUPATI.

Sir,

Sub: Comments on the accounts of the Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2005.

1. 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 2005 for necessary action. I am also to enclose a review on the accounts of your company as compiled by this office, for publishing it as an Annexure to the Directors' Report as agreed to by the State Government in their letter number 1392-4/66 dated 10 June 1966.
2. The date of placing of comments along with Annual Accounts and Auditors' Reports 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 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 2004-05 may be furnished in due course.

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

Yours faithfully,

Sd/-

Sr. Deputy Accountant General (C)

Encl : As above

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31 MARCH, 2005	REPLIES OF THE COMPANY FORMING PART OF THE DIRECTOR'S REPORT TO THE MEMBERS UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.
<p>1 Revenue Account Income</p> <p>Revenue from Sale of Power (Schedule-1) Rs.1991.41 crore.</p> <p>This includes an amount of Rs.5.01 crore representing the enhanced wheeling charges fixed by APERC for the year 2004-05 and claimed from the HT consumers availing third party sales. The same has not been paid by them and was outstanding as on 31 March 2005. The demand for wheeling charges was under dispute and contested by the consumers and pending in the High Court. The realization or otherwise is dependent on the outcome of the dispute pending in the Court</p> <p>The fact should have disclosed in the form of a note in the "Notes to Accounts - Statements 5".</p>	<p>Noted for guidance</p>
<p>2 HT Supply - Electricity Co-operative Societies: Rs.16.92 crore</p> <p>Rural Electricity Co-operative Society (RESCO) at Kuppam is eligible for subsidized tariff of Rs.0.41 per unit up to the quota of energy fixed (155 MU) and the energy drawal over and above the quota fixed is to be charged at Bulk Supply Tariff (BST) of Rs.1.907 per unit. However, the company billed the excess drawal of energy of (26 MU) also at subsidized rate instead of at BST rate.</p> <p>This has resulted in understatement of "Revenue from sale of power - HT supply - Electricity Co-operative Societies". "Sundry Debtors for sale of power" and overstatement of "Loss for the year" by Rs.3.89 crore.</p>	<p>The demand has been raised in the current year 2005-06.</p>
<p>3 Expenditure</p> <p>Employee costs (Schedule-9)</p> <p>Terminal benefits: Rs.17.97 crore</p> <p>A reference is invited to qualification under item No.4 (xi) of the Statutory Auditors' Report regarding provision for terminal benefits on ad-hoc/cash basis instead of actuarial valuation. The Statutory Auditors have not quantified the impact of the comment. The amount as per actuarial valuation at the rate of 26.12 per cent works out to Rs.37.73 crore as against, a liability of Rs.17.97 crore actually</p>	<p>The company has not received the final Actuarial Valuation for the year 2004-05 from its Actuarial Valuers. The company intends to make the provision as and when the same is received.</p>

provided for thereby short provision of terminal benefits as per actuarial valuation by Rs.19.76 crore. This has correspondingly resulted in understatement of 'Loss for the year' by Rs.19.76 crore. The qualification made by the Statutory Auditors in their report is deficient to that extent.

4 Interest and Finance Charges (Schedule-12)

State Government Guarantee Commission on Loans: Rs.5.24 crore

This represented the provision towards guarantee commission payable to State Government at 2 per cent as per Government Order dated 21 March 2005 for extending guarantee on Rs.261.795 crore. The guarantee commission was paid by AP TRANSCO on behalf of DISCOM in June 2005. The Company did not avail of any loan during the year 2004-05 against the above Government guarantee. Therefore, the guarantee commission paid by AP TRANSCO in 2005-06 should not have been incorporated in the accounts of the Company for the year 2004-05. This has resulted in overstatement of "State Government guarantee commission on loans", "Other Current Liabilities" and "Loss for the year" by Rs.5.24 crore.

As per ESSAR, 1985 Para 2.91, Guarantee charges, commitment charges, legal charges / stamp duty for loan agreements /bonds/ debentures, advertisement costs in a public issue of bonds, commission on issue of bonds/ debentures and such other costs shall be charged to revenue in the year in which the costs are included.

As per ESSAR, 1985 Para 2.115, Guarantee charges, commitment charges and legal charges/ stamp duty for loan agreements, debenture trust deeds, bonds or debentures shall be charged to revenue in the year in which the costs are incurred. Provision shall be made at the year-end for the above costs for the year, which have accrued but are not paid.

The Guarantee commission pertains to loans taken in 2004-05, 2005-06 and 2006-07. Though none of the loans were taken in 2004-05 the Guarantee commission pertains to loans to be taken in 2004-05 also.

The payment of the guarantee commission is just a procedural formality and does not in any way take away the form of the transaction ie the guarantee can be availed from 2004-05 onwards. The auditor has also commented that Accounting of guarantee commission is not in conformity with AS-9-Revenue Recognition.

5 Interest and Finance Charges Capitalised (Schedule-13) : Rs.37.48 crore

The interest and finance charges to be capitalized during the year worked out to Rs.28.06 crore as per the method followed in previous years. However, the Company capitalized Rs.37.48 crore during the year due to a deviation/ error in computation of "Interest & finance charges capitalized" to the effect that the Company had taken the total value of opening and closing balance of "Capital work-in-progress" as against the Closing Balance of "Capital Work-in-Progress" as was done in the earlier years up to 2003-04.

This has resulted in overstatement of "Interest and

The IDC Calculation is based on the method consistently followed. The change has occurred due to the correction in calculation method as compared to the previous year.

<p>Finance Charges Capitalised", "Fixed Assets - Gross Block at the end of the Year" and understatement of "Loss for the year" by Rs.9.42 crore. The Statutory Auditor's qualification vide para 2 of their Audit Report is general and without quantification.</p>	
<p>6 Balance Sheet</p> <p>Net Assets</p> <p>Net Fixed Assets (Schedule-19)</p> <p>Provision for depreciation at the end of the year: Rs.830.16 crore</p> <p>A reference is invited to Note No.10 on Depreciation in the Notes to Accounts (Statement-5). The Company has provided depreciation under Straight Line method on the gross block of Fixed Assets as a whole instead of providing depreciation to the extent of 90 percent of the value of each individual / block of assets capitalized during a particular year. This results in charging depreciation up to 100 percent value of the assets and excess depreciation on other assets, when the individual asset/block of assets capitalized during a particular year is depreciated in full. Such excess depreciation could not be quantified in the absence of year-wise break-up of the opening balance of gross block of Fixed Assets as on 01.04.2000.</p>	<p>The Company has computed depreciation on the gross block (bifurcated into individual heads on prorating method) as given in the Second Transfer Scheme notified by the Government of AP vide G.O.No.109 Energy(Power-III) September 29th,2001.</p>
<p>7 Provision for Depreciation on Lines and Cable Network: Rs.520.14 crore</p> <p>Government of India, Ministry of Power, New Delhi vide Notification dated 29 March 1994 provided for depreciation of meters/ metering equipment @ 12.77%. A separate account code (A/c code 10.631) is also provided for in the Electricity (Supply) Annual Accounts Rules 1985. However, depreciation is provided at 7.84% for the Asset "Lines and Cable Net work" (A/c code 10.600) and "Meters" are also included in the same A/c Code thereby resulting in an undercharge of depreciation by 4.93%.</p> <p>The short provision of depreciation for the year at 4.93% on the additions of metering equipment made during the years 2000-01 to 2003-04 worked out to Rs.1.21 crore resulting in understatement of "Loss for the year" by a similar amount. The short provision of depreciation on these additions under "Net Prior Period Credits/(charges)" also resulted in overstatement of "Net Prior Period Credits" and "Surplus" for the year by Rs.1.72 crore.</p> <p>In the absence of Asset value of Meters booked separately in the Accounts (which was included in "Lines and Cable Network") for the years up to 1999-2000, the amount of undercharge of depreciation on the same could not be quantified.</p>	<p>This will be provided for in the current year 2005-06.</p>
<p>8 Capital Expenditure in progress (Schedule-21)</p>	

Capital work in progress: Rs.338.07 crore

This is understated by Rs.1.65 crore due to non-accountal of the value of works completed and check measured on or before 31 March 2005 in Vijayawada and Guntur Circles, together with proportionate value of "Employee Costs capitalized". This has resulted in understatement of "Liability for Capital Supplies/Works" by Rs.138 crore; "Employee Costs Capitalised" by Rs.0.28 crore and overstatement of "Loss for the year" by Rs.0.28 lakh.

Amount is not material when compared to the Capital expenditure of Rs.281.40 crores during the year

9 Reserves and Reserve Funds (Schedule-35): 11.37 crore

This includes the following minus balances:

- i) Family Benefit Fund : Rs.29.41 lakh
- ii) Group Insurance Fund : Rs.15.46 lakh

The above amount of Rs.11.37 crore is a derived figure after netting off of the amount of (-) Rs.44.87 lakh represented by assets with that of Rs.11.82 crore represented by liabilities. The netting off of assets and liabilities is not permissible and had resulted in understatement of Assets and Liabilities by Rs.44.87 lakh.

Noted for guidance.

2. CAPITAL STRUCTURE

Sd/-
(SUDARSHANA TALAPATRA)
Accountant General (C&RA)

Place : Hyderabad
Date : 21-12-2005

For and on behalf of the Board

Sd/-
K.P.ANAND
Director (Finance)

Sd/-
P.GOPAL REDDY
(Chairman &
Managing Director)

Place : Tirupati
Date : 22-12-2005

FINANCIAL REVIEW BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31 MARCH 2005

Note: This review of accounts has been prepared without taking into account the comments under section 619(4) of the Companies Act, 1956 and the qualifications contained in the Statutory Auditors' Report.

1. FINANCIAL POSITION

The table below summarises the financial position of the Company for the three years ended 31 March 2005: Rs In Lakhs

S.No.	Particulars	2002-03	2003-04	2004-05
	<u>LIABILITIES</u>			
(a)	Equity Paid up Capital	31060.78	31060.78	35871.53
(b)	Reserves & Reserve Funds	502.29	2593.73	1137.26
(c)	Contributions, Grants and Subsidies towards cost of Capital Assets	25736.61	35218.06	42198.60
(d)	Borrowings			
(i)	Loans from Govt. of A.P	6507.05	521.33	2917.43
(ii)	Loans from REC & PFC	44043.72	68729.65	82398.74
(iii)	Others	6333.04	8317.03	8412.73
e)	Current Liabilities	48718.81	71394.45	86715.55
	TOTAL	162902.30	217835.03	259651.84
	<u>ASSETS:</u>			
(f)	Gross Block	131321.67	149939.73	187983.61
	Less: Depreciation	61488.40	71411.52	83015.90
(g)	Net Fixed Assets	69833.27	78528.21	104967.71
(h)	Capital Expenditure in progress	20767.45	39557.17	40274.88
(i)	Investments	58.85	2311.99	4039.85
(j)	Current Assets, Loans and Advances	69464.28	94935.92	108480.99
(k)	Miscellaneous Expenditure to the extent not written off or adjusted	31.57	15.78	-----
(l)	Net Revenue Appropriation Account (Deficit)	2746.88	2485.96	1888.41
	TOTAL	162902.30	217835.03	259651.84
	Capital Employed	111346.19	141626.85	167008.03
	Net Worth	54330.94	64352.10	77079.63

Note: (A) Capital Employed represents net fixed assets including capital expenditure in progress plus working capital.
(B) Net Worth represents paid up capital plus reserves and surplus (including Contributions, Grants, Subsidies towards cost of capital assets) less intangible assets.

The Debt Equity ratio of the Company as at the end of each of the three years ended 31 March 2005 was 1.83:1, 2.5:1, 2.61:1 respectively.

3. **RESERVES & SURPLUS**

Reserves & Surplus (Contingency Reserve) stood at Rs.312.00 lakh, Rs.575.00 lakh & Rs.897.91 lakh respectively as at the end of each of the three years ended 31 March 2005. The Reserves & Surplus amounted to 0.35 percent to Total Liabilities and 2.50 percent to Equity as at the end of 31 March 2005.

4. **LIQUIDITY AND SOLVENCY**

- The percentage of Current Assets, Loans and Advances to Total Assets increased from 42.64 in 2002-03 to 43.58 in 2003-04 and decreased to 41.78 in 2004-05
- The percentage of Current Assets, Loans and Advances to Current Liabilities decreased from 142.58 in 2002-03 to 132.97 in 2003-04 and to 125.10 in 2004-05.
- The percentage of Quick Assets (Receivables against supply of power, Cash and Bank balances. Loans and Advances and Sundry Receivables) to Current Liabilities decreased from 134.95 in 2002-03 to 128.06 in 2003-04 and to 115.99 in 2004-05.

5. **WORKING CAPITAL**

The working capital (Current Assets, Loans and Advances Less Current Liabilities) at the end of each of the three years ended 31 March 2005 amounted to Rs.20745.47 lakh, Rs.23541.47 lakh and Rs.21765.44 lakh respectively.

6. **WORKING RESULTS**

The working results of the Company for the three years ended 31 March 2005 are as tabulated below:

(Rs in lakh)

S.No	Particulars	2002-03	2003-04	2004-05
i)	Profit/(Loss) before tax	(203.12)	305.94	597.55
	(After adjustment of Prior Period Items)	NILL	45.02	NILL
ii)	Provision for Tax	(203.12)	260.92	597.55
iii)	Profit/(Loss) after Tax			
iv)	Percentage of Profit/(Loss) before tax to	0.11	0.16	0.30
	a) Revenue from sale of power	0.18	0.22	0.36
	b) Capital employed	0.15	0.20	0.32
	c) Gross fixed assets			
v)	Percentage of Net Profit/(Loss) after tax to	0.37	0.41	0.78
	a) Net Worth	0.65	0.84	1.67
	b) Equity Capital	0.18	0.18	0.36
	c) Capital employed			

7. **SOURCES AND USES OF FUNDS**



Funds amounting to Rs.12540.61 Lakh from internal sources and Rs.43273.27 lakh from external sources were utilized during the year as shown below:

(Rs. in lakh)

a)	Gross Fixed Assets including Capital Expenditure in progress	38,761.58
b)	Investments	1,727.87
c)	Increase in Current Assets	13,545.06
d)	Decrease in Reserve & Reserve Funds (other than Contingency Reserve)	1779.37
	Total	55813.88

8. SUNDRY DEBTORS AND TURNOVER

The following table indicates the value of Book Debts and sales for the three years ending 31 March 2005:

(Rs in lakh)

Sundry Debtors				Sales	Percentage of debts to Sales	Debts in terms of Monthly Turnover
As on 31 st March	Considered good	Considered doubtful	Total			
2003	49602.32	760.82	50363.14	191644.49	26.28%	3.15
2004	44279.77	760.82	45040.59	190723.18	23.62%	2.83
2005	50197.52	760.82	50958.34	202332.62	25.19%	3.02

The age wise break-up of Sundry Debtors at the end of 31 March 2005 is as under:

Rs in lakh

i)	Less than one year	35977.39
ii)	One to two years	6062.93
iii)	Two to three years	2702.13
iv)	More than three years	6215.89
	Total	50958.34

Hyderabad,
21.12.2005

Sd/-
(Sudarshana Talapatra)
Accountant General(C&RA)


REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005
Statement - 1

Amount in Rs.

Schedule Note	Sch.No.	Current Year Ended 31st March, 2005	Previous Year Ended 31st March, 2004
Units sold (in Millions)		9055.56	8086.94
INCOME:			
Revenue from Sale of Power	1	19914134147	18815984265
Revenue Subsidies and Grants	4	3340500000	4015800000
Other Income	5	1429094892	1332242520
SUB TOTAL		24683729039	24164026785
EXPENDITURE:			
Purchase of Power	6	20509908842	19879589318
Repairs and Maintenance	8	316091914	260602420
Employee Costs	9	1998502521	1967071948
Administration and General Expenses	10	353546706	345709847
Depreciation and Related Expenses(Net)	11	1160453874	992350230
Interest and Finance charges	12	1345328458	1200457459
SUB TOTAL:		25683832315	24645781222
LESS : EXPENSES CAPITALISED			
Interest and Finance charges capitalised	13	374843065	220472831
Other Expenses capitalised	14	562873094	315674970
SUB TOTAL:		937716159	536147801
Other Debits	15	69682695	109990197
Extra-Ordinary Items	16	1999122	5126869
SUB TOTAL:		71681817	115117066
Total Expenditure		24817797973	24224750487
Profit / (Loss) before Tax for the year		(134068934)	(60723702)
Provision for Income Tax	17	0	4502000
Profit / (Loss) after Tax for the year		(134068934)	(65225702)
Net Prior Period Credits / (Charges)	18	193823543	91317937
SURPLUS/ (DEFICIT)		59754609	26092235

Note:Schedules 1 to 35 and accounting policies attached form part of the Balance Sheet and Revenue Account

As per our report of even date
For M/s Sankaran & Krishnan
Chartered Accountants.

For and on behalf of the Board

Sd/-
(S CHANDRAN)
Partner.
Membership No.8646

Sd/-
P.Gopal Reddy
Chairman & Managing Director

Sd/-
K.P.ANAND
Director (Finance)

Date:- 25-08-05
Place: CHENNAI

Sd/-
K.SATEESH GUPTA
Company Secretary

DATE : 25-08-05
PLACE: TIRUPATI

NET REVENUE AND APPROPRIATION ACCOUNT

Statement - 2

Amounts in Rs.

Schedule Note	Year ended 31st March, 2005	Year ended 31st March, 2004
Balance brought forward from last year	(248595865)	(274688100)
Surplus / (Deficit) from Revenue Account	59754609	26092235
CREDITS:		
Transfer from General Reserve		
APPROPRIATIONS:		
Contribution to Reserve and Reserve Funds		
Sinking Fund for Repayment of borrowings		
General Reserve		
Balance Carried Forward	(188841256)	(248595865)

Note:Schedules 1 to 35 and accounting policies attached form part of the Balance Sheet and Revenue Account

As per our report of even date
For M/s Sankaran & Krishnan
Chartered Accountants.

For and on behalf of the Board

Sd/-
(S CHANDRAN)
Partner.
Membership No.8646

Sd/-
P.Gopal Reddy
Chairman & Managing Director

Sd/-
K.P.Anand
Director (Finance)

Date:- 25-08-05
Place: CHENNAI

Sd/-
K.SATEESH GUPTA
Company Secretary

DATE : 25-08-05
PLACE: TIRUPATI


CASH FLOW STATEMENT FOR THE YEAR ENDING 31st MARCH, 2005

Particulars	Rs.	Rs.
A Cash flow from operating activities		
Net profit before taxation and extra-ordinary item		61753731
Adjustments for items in Revenue Account		
Depreciation	1160437635	
Interest Income	(42110980)	
Preliminary expenditure written off	1578500	
Interest Expense	970485393	
contingency reserve	30300000	2120690548
Operating Profit before working capital changes		2182444279
Adjustments for changes in Current Assets other than cash		
Stocks	(439073749)	
Receivables against supply of Power	(591775203)	
Loans and Advances	567443709	
Sundry Receivables	(601863040)	
Adjustments for changes in Current Liabilities		
Security Deposits from consumers	292496769	
Other current Liabilities	1239612232	466840718
Cash generated from Operations		2649284997
Less:income tax		0
Cash flow before extraordinary item		2649284997
Extraordinary items		(1999122)
Net cash flow from operating activities		2647285875
B Cash flows from investing activities		
Purchase of fixed assets /CWIP	(3876158202)	
Interest received on Fixed Deposits & Loans and Advances	42110980	
interest received on contingency reserve investments	1990750	
Increase in Investments	(172786574)	
Net cash flow from investing activities	(4004843046)	(4004843046)
C Cash Flows from Financing Activities		
Proceeds from issue of share capital to State Governement of A.P	481075000	
Proceeds from long term borrowings	3585238925	
Proceeds from Development Charges and Consumer Contributions	698053813	
Repayment of long term borrowings	(1969149812)	
Interest Paid	(970485393)	
Increase in Reserves & Reserve Funds	(177937438)	
Net Cash flow from Financing Activities	1646795095	1646795095
D Net increase/(decrease) in cash and cash equivalents		289237924
E Cash and Cash Equivalents		
At the beginning of the period		511722043
At the end of the period		800959967
F Net increase/(decrease) in cash and cash equivalents		289237924

As per our report of even date
For M/s Sankaran & Krishnan
Chartered Accountants.

For and on behalf of the Board

Sd/-
(S CHANDRAN)
Partner.

Sd/-
P.Gopal Reddy
Chairman & Managing Director

Sd/-
Dr. K.P.ANAND
Director (Finance)

Membership No.8646

Date:- 25-08-05
Place: CHENNAI

Sd/-
K.SATEESH GUPTA
Company Secretary

DATE : 25-08-05
PLACE: TIRUPATI

BALANCE SHEET AS ON 31ST MARCH, 2005

Statement - 3

Amounts in Rs.

Schedule Note	SCH. NO	As on 31.3.2005	As on 31.3.2004
NET ASSETS:			
Net Fixed Assets			
Gross Block	19	18798361015	14993973473
Less : Accumulated Depreciation		8301589923	7141152288
Net Fixed Assets		10496771092	7852821185
Capital Expenditure in progress	21	4027488233	3955717573
Assets not in use			
Deferred Costs		0	1578500
Investments	25	403985434	231198860
Net Current Assets			
Total Current Assets	26	10848098564	9493592357
Less : Total Current Liabilities			
Security Deposits from Consumers	27	3076935385	2784438616
Other Current Liabilities	28	5594619314	4355007082
Total Current Liabilities		8671554699	7139445698
Net Current Assets		2176543865	2354146659
Subsidy Receivable from Govt.			
NET ASSETS:		17104788624	14395462777
FINANCED BY			
Borrowings for working capital			
Payments due on Capital Liabilities			
Capital Liabilities	32	9372890060	7756800947
Equity	33	3587153090	3106078090
Contributions, Grants and Subsidies towards Cost of Capital Assets	34	4219860046	3521806233
Reserve and Reserve Funds	35	113726684	259373372
Surplus / (Deficit) :		(188841256)	(248595865)
TOTAL FUNDS:		17104788624	14395462777

Notes Annexed to and form part of Accounts : Statement 5

Note:Schedules 1 to 35 and accounting policies attached form part of the Balance Sheet and Revenue Account

As per our report of even date
For M/s Sankaran & Krishnan
Chartered Accountants.

For and on behalf of the Board

Sd/-
(S CHANDRAN)
Partner.
Membership No.8646

Sd/-
P.Gopal Reddy
Chairman & Managing Director

Sd/-
K.P.ANAND
Director (Finance)

Date:- 25-08-05
Place: CHENNAI

Sd/-
K.SATEESH GUPTA
Company Secretary

DATE : 25-08-05
PLACE: TIRUPATI

REVENUE FROM SALE OF POWER

Schedule 1

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
	LT. Supply			
1	Domestic supply - Category -I	61.2	4732067662	4367595346
2	Non-Domestic supply - Category -II	61.21	2515679322	2402294538
3	Industrial Supply- Category -III	61.22	2192001570	2044165867
4	Cottage Industries - Category - IV	61.23	35925028	33018085
5	Irrigation and Agriculture Category - V	61.24 & 25	1114584787	1338183118
6	Public Lighting - Category - VI	61.26	425301632	387213831
7	General Purpose - Category - VII	61.27	121876804	110133181
8	Temporary Supply - Category - VIII	61.28	11534313	8554221
	LT. Total		11148971118	10691158187
	HT Supply			
9	Industrial Segregated - Category - I	61.3	4518132076	3745027220
10	Industrial Non-Segregated - Category - II	61.31	762964549	732603452
11	Irrigation and Agriculture - Category - IV	61.33	28990758	23123312
12	Railway Traction - Category - V	61.34	1806463798	1751563579
13	Electricity Co-Operative Societies	61.38	169185337	275746603
14	Power Intensive Consumers	61.32	0	0
15	Temporary Supply	61.39	3835405	0
16	Colony Consumption	61.35	213169555	184745159
	HT. TOTAL		7502741478	6712809325
17	Fuel Cost Adjustment		10229853	245704941
	LT + HT Total		18661942449	17649672453
18	Less: 25% Rebate to New Industries	78.83	4479	3396
	Net LT + HT Total :		18661937970	17649669057
	MISCELLANEOUS REVENUE			
19	Electricity Duty Recovery		319127880	252478778
20	Interest on Electricity Duty		4500371	3855088
21	Recoveries for Theft of Power/Malpractice	61.7	49306159	78014236
	Sub Total :		372934410	334348102
22	Miscellaneous charges from consumers	61.9	1198389647	1088300972
	Total:		1571324057	1422649074
23	Gross Revenue form Sale of Power		20233262027	19072318131
24	Less: Electricity Duty Paid	61.541	319127880	256333866
	Net Total:		19914134147	18815984265

ELEMENTWISE ANALYSIS OF REVENUE

Schedule - 2

Amounts in Rs.

SNO	Schedule Note	2004-05	2003-04
	Revenue:		
1	Demand Charges	799143149	738427194
2	Energy Charges	17831268475	16578221198
3	Fuel Cost Adjustment Charges	10229853	246082370
4	Power Factor Surcharge	16517617	16384223
5	Adjustments to past billing	4783355	70557468
6	Less: 25% Rebate to New Industries	4479	3396
	Total :	18661937970	17649669057
7	Interest on ED	4500371	3855088
8	Electricity Duty recovery	319127880	252478778
	Total :	323628251	256333866
9	Recoveries for Theft of Power/Malpractices	49306159	78014236
10	Other Miscellaneous .Income	1198389647	1088300972
11	Gross Revenue from Sale of Power	20233262027	19072318131
	Less:		
12	Electricity Duty Paid	319127880	256333866
	Net Total:	19914134147	18815984265

AVERAGE REALISATION FROM SALE OF POWER

Schedule-3

30

REVENUE SUBSIDIES AND GRANTS

Schedule-4

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Subsidies and Grants form Government of Andhra Pradesh	63.110	3340500000	4015800000
2	Grants for Research and Development Expenses	63.120	0	0
3	Subsidies and grants form Government of Andhra Pradesh - Additional Subsidy	63.130	0	0
	Total		3340500000	4015800000

OTHER INCOME

Schedule - 5

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Interest on Staff Loans and Advances, FDR's	62.200 to 62.219	42110980	2133960
2	Delayed Payment Charges from Consumers	62.25	576355848	961209989
3	Income from Trading (Profit / Loss from sale of Scrap)	62.3	16154609	16310736
4	Miscellaneous Receipts	62.9	34473455	26587835
5	U I (Unscheduled Inter Change) Charges benefit	62.9	760000000	326000000
	Total		1429094892	1332242520

PURCHASE OF POWER

Schedule - 6

Amounts in Rs.

SLNO	Schedule Note	Account Code	2004-05	2003-04
1	Power Purchase from A.P.TRANSCO	70.100	21091137200	19771224477
2	Add : Fuel Surcharge Adjustment		(17224870)	245704941
3	Less : Overdrawal Surcharge		564003488	137340100
4	Total :		20509908842	19879589318

REPAIRS AND MAINTENANCE

Schedule - 8

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
	Repairs and Maintenance to			
1	Plant and Machinery & Transformers	74.100	196552971	178279293
2	Substation maintenance by Private Agencies	74.150	44422001	32051172
3	Buildings	74.200	456462	727149
4	Civil Works	74.300	249981	528236
5	Lines, Cable Net Work etc	74.500	69373653	43787728
6	Vehicles	74.600	3992627	4670041
7	Furniture and Fixtures	74.700	99496	15244
8	Office Equipment	74.800	944723	543557
	Total		316091914	260602420

EMPLOYEE COSTS

Schedule - 9

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Salaries	75.1	1330796304	1343069570
2	Dearness Allowance	75.3	128536018	80651907
3	Other allowances	75.4	158299780	160492469
4	Sub Total (1 + 2 + 3)		1617632102	1584213946
5	Medical Expenses Reimbursement	75.611	9139981	11155739
6	Leave Travel Assistance	75.612	1258860	2042705
7	Earned Leave Enchashment	75.617	138658188	140520638
8	Payment under workmen's compensation Act	75.629	3365876	2470012
9	VRS Benefits	75.650	0	76175
10	Sub Total (5 to 9)	75.65	152422905	156265269
11	Staff welfare expenses	75.7	4128446	3885413
12	Medical Allowance	75.71	24736578	23878558
13	EPF Employer Share & Related Expenses	75.810 to 75.815	19927687	18020721
14	Terminal benefits	75.8	179654803	180808041
15	Sub Total (11 to 14)		228447514	226592733
	Total (4 + 10 + 15)		1998502521	1967071948

ADMINISTRATION AND GENERAL EXPENSES

Schedule - 10

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Licence fees	76.103	7000000	7000000
2	Rent, Rates and Taxes	76.101, 102	11452564	9325442
3	Insurance	76.104 to 107	2290864	1834528
4	Telephone Charges, Postage, Telegram & Telex Charges	76.111 to 113	25193388	24039052
5	Legal Charges	76.121	1122267	1007914
6	Audit Expenses and Fees : of which	76.122	839435	911602
6a	Statutory Audit Fees		280000	280000
6b	Audit Expenses		509435	480402
6c	Tax Audit Fees		50000	151200
7	Other Professional Charges	76.125	92452177	90229192
8	Honorarium	76.126	2796947	4143375
9	Conveyance and Traveling Expenses	76.131 to 139	106169690	106425334
10	Sub-Total (1 to 9)		249317332	244916439
11	Other Expenses	76.150 to 190		
a	Training and Participation	76.150	1834557	4972491
b	Fees & Subscription	76.151	2451506	65999
c	Books & Periodicals	76.152	144808	162814
d	Printing & Stationery	76.153	13188071	14130730
e	Advertisement	76.155	4864430	7421370
f	Police Guard Charges	76.156	516720	354840
g	Electricity Charges	76.158	32532503	35218105
h	Water Charges	76.160	126614	288610
i	Entertainment expenses	76.163	381260	411670
j	Miscellaneous Expenses	76.159 & 76.190	35361343	26713460
12	Sub-Total (a to j)		91401812	89740089
13	Freight & Other Purchase related expn.	76.210 to 76.220 & 76.230 to 299	12827562	11053319
14	Total (10 + 12 + 13)		353546706	345709847

DEPRECIATION AND RELATED DEBITS (NET)

Schedule - 11

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Depreciation	77.1 & 77.2	1160437634	992312430
2	Assets Decommissioning cost	77.5	0	0
3	Small & Low value items written off	77.6	16240	37800
	Total		1160453874	992350230

INTEREST AND FINANCE CHARGES
Schedule-12

Amounts in Rs.

SNO	Particulars	Account Code	2004-05	2003-04
1	Interest on State Government Loans	78.100	70301462	96305463
2	Interest on REC Loan	78.504	723445952	537113772
3	Interest on PFC Loan	78.511	31832712	42479476
4	Interest on ICICI Loan	78.506	14722259	0
5	Interest on Bank of Baroda Loan	78.507	1974198	0
6	Interest to consumers	78.600	128776928	70808008
7	Incentive to Consumers	78.820	262844959	186913198
8	Interest on General Provident Fund	78.852	0	0
9	Other Interest(other sub-accounts)	78.853 to 859	9438361	10106397
10	Commitment Charges	78.860 to 867	0	0
11	Lease Rentals on Lease Finance	78.868	14512695	108639334
12	Other Charges	78.880 to 78.889	35119932	6134308
13	State Government Guarantee Commission on Loans		52359000	88011551
14	Swapping Premium on REC Loans		0	53945952
	Total		1345328458	1200457459

INTEREST AND FINANCE CHARGES CAPITALIZED

Schedule -13

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Interest and Finance Charges Capitalized	78.9	374843065	220472831
	Total		374843065	220472831

OTHER EXPENSES CAPITALISED

Schedule-14

Amount in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Employee Costs Capitalized	75.9	562873094	315674970
	Total		562873094	315674970

OTHER DEBITS

Schedule-15

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Belated Payments or Additional charges waived	79.4	4773	1203675
2	Miscellaneous losses and write-offs	79.5 & 79.6	37799422	13227978
3	Sundry Expenses - Employee Costs and Administration Expenditure of AO/CPR & CE / Reforms of A. P. TRANSCO	79.75	0	67680044
4	Provision for Contingency Reserve	79.73	30300000	26300000
5	Write off of Preliminary Expenses	79.72	1578500	1578500
	Total		69682695	109990197

EXTRAORDINARY ITEMS

Schedule-16

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Extraordinary Debits (Losses on A/c of Flood,Cyclone, Fire etc.)	79.8	1999122	5126869
	Total :		1999122	5126869

PROVISION FOR INCOME TAX

Schedule - 17

Amounts in Rs.

SNO	Schedule Note	Account Code	2004-05	2003-04
1	Provision for Income Tax	81.1	0	4502000
	Total :		0	4502000

NET PRIOR PERIOD CREDITS/CHARGES

Schedule-18

Amounts in Rs

SNO	PARTICULARS	Account Code	2004-05	2003-04
1	Income relating to Previous Year			
a	Receipts Prior Period	65.200	40818734	(11259245)
b	Excess Provision - Interest & Finance Charges -written back	65.700	(534805)	1337492
c	Other Excess Provisions	65.800	139584078	8054
d	Other Income Prior Period	65.900	11346751	
	Sub-Total (a to d)		191214758	(9913699)
2	Prior Period Expenses / Losses			
a	Operating Expenses	83.300	36898	(20923377)
b	Employee Costs	83.500	2489744	(69612802)
c	Depreciation under provided	83.600	0	0
d	Interest & Other Finance Charges	83.700	5991566	(7744308)
e	Other charges	83.800	(11126993)	(2951149)
	Sub-Total (a to e)		(2608785)	(101231636)
3	Net prior period credits/(charges) (1 - 2)		193823543	91317937

FIXED ASSETS AND PROVISION FOR DEPRECIATION - 2004-2005
Schedule-19

SNO	Asset Group	Rate of Depreciation	Account Code	GROSS BLOCK				PROVISION FOR DEPRECIATION				Amount in Rs.	
				At the end of the previous year	Additions	Deductions	Reclassification	At the end of the year	At the end of the previous year	Depreciation for the year	Reclassification	At the end of the year	At the end of the previous year
1	Land and Land Rights	0	10.100	20269842	1235930	2002	0	21503770	0	0	0	20269842	21503770
2	Buildings	3.02	10.200	219145617	5053644	0	0	224199261	87561779	6618198	0	131583838	130019285
3	Hydraulic Works	0	10.300	0	0	0	0	0	0	0	0	0	0
4	Other Civil Works	0	10.400	438176	1817524	42559	0	2213141	0	0	0	438176	2213141
5	Plant and Machinery	7.84	10.500	5426331338	951186493	0	0	6377517831	2469294797	425424377	0	2957036541	3482798657
6	Lines and Cable Net work	7.84	10.600	8829765782	2720587694	0	0	11550353476	4509103119	692253637	0	4320662663	6348996720
7	Vehicles	33.4	10.700	30147406	1404099	25001	0	31526504	26473465	651033	0	3673941	4402006
8	Furniture and Fixtures	12.77	10.800	46418718	995183	79726	0	47334175	42907106	0	0	3511612	4427069
9	Office equipment	12.77	10.900	49659080	46371924	171600	0	95859404	5812023	6341465	0	43847057	83705916
10	Sub-Total (1 to 9)			14622175959	3728652491	320888	0	18350507562	7141152288	1131288709	0	8272440998	10078066564
11	Spare units/Service units	7.84	11.200	371797514	128518668	52462729	0	447853453	0	29148925	0	371797514	418704528
12	Sub-Total (11)			371797514	128518668	52462729	0	447853453	0	29148925	0	371797514	418704528
13	Total : (10 + 12)			14993973473	3857171159	52783617	0	18798361015	7141152288	1160437634	0	8301589923	7852821185
14	Total for Previous Year			13132167307	1939148027	77341861	0	14993973473	6148839858	992312430	0	7141152288	7852821185

Note: 1. Depreciation on Vehicles has been charged only on the net additions during the year 2003-04 and no depreciation has been charged on other vehicles as 90% of the Block is already claimed as depreciation up to 31st March, 2004.

2. Depreciation has not been claimed on Furnitures & Fixtures as 90% of the block is already claimed as Depreciation

CAPITAL EXPENDITURE IN PROGRESS
Schedule-21

Amounts in Rs.

SNO	PARTICULARS	Account Code	As on 31.3.2005	As on 31.3.2004
1	Capital Work - in - Progress	14	3380724805	3463324379
2	Revenue Expenditure Pending Allocation over Capital Works	15.2	374843065	220472831
3	Advance for Suppliers / Contractors (Capital)	25.100 to 25.900	271920363	271920363
4	Total		4027488233	3955717573

INVESTMENTS
Schedule - 25

Amounts in Rs.

S.NO	Particulars	Acct.Code	As on 31.3.2005	As on 31.3.2004
1	Share Capital in Resco - Atmakur, Nellore	20.200	3814500	3814500
2	Share Capital in Resco - Rayachoty, Cuddapah	20.200	2070900	2070900
3	Share Capital in Resco- Kuppam, Chittoor	20.200	2905000	
4	OTHER INVESTMENTS	20.110, 20.281 & 20.282		
a	Against Contingency Reserve:			
	UTI Gilt Advantage Fund LTP (No . Of Units 738874.399 , NAV as on 31.3.05 Rs.13.8084 Per unit, totalling to Rs.1,02,02,673/-)		9990000	
	Fixed Deposit Receipts with Banks		47500000	
	Sub Total		57490000	
b	Against funds received from RESCO :			
	UTI Gilt Advantage Fund LTP (No . Of Units 734633.857 , NAV as on 31.3.05 Rs.13.8084 Per unit, totalling to Rs.1,01,44,118/-)		10005034	
c	Others :			
	Fixed Deposit Receipts with Banks		327700000	
	Total (a+b+c)		395195034	
	Grand Total		403985434	231198860

TOTAL CURRENT ASSETS
Schedule-26

Amounts in Rs.

SNO	PARTICULARS	SCH NO	As on 31.3.2005	As on 31.3.2004
1	Stocks	26(a)	789697962	350624213
2	Receivables against Supply of Power	26(b)	5019752190	4427976987
3	Cash and Bank Balances	26(c)	800959967	511722043
4	Loans and Advances	26(d)	221568974	789012683
5	Sundry Receivables	26(e)	4016119471	3414256431
6	Total		10848098564	9493592357

STOCKS
Schedule-26a

Amounts in Rs

SNO	PARTICULARS	Account Codes	As on 31.3.2005	As on 31.3.2004
1	Stock of materials at stores	22.62,63	761047558	450643511
2	Materials at site	22.64,65	3456459	2749257
3	Materials pending inspection & Materials in Transit	22.66,67,68,69	18609216	12176539
4	Other Materials Accounts	22.7	86744214	101438780
4a	Material lent on Loan Basis to Resco - Rayachoty	22.7	47695856	0
5	Materials stock excess/shortage pending investigation	22.9	(101154447)	(216383874)
6	Provision for non-movable and obsolete stock	22.9	(26700894)	0
	Total:		789697962	350624213

RECEIVABLES AGAINST SUPPLY OF POWER
Schedule-26b

Amounts in Rs.

SNO	PARTICULARS	A/c Code	As on 31.3.2005	As on 31.3.2004
1	Sundry Debtors for Sale of Power	23.1	2239335589	1419113948
2	Sundry Debtors for Electricity Duty	23.2	45148581	32197982
3	Provision for Unbilled Revenue	23.4	2811240568	3052646094
4	Sundry Debtors - Miscellaneous Receipts from consumers	23.7	109540	101051
5	Sub-total :		5095834278	4504059075
6	Less: Provision for doubtful dues form consumers	23.9	(76082088)	(76082088)
7	Total		5019752190	4427976987

CASH AND BANK BALANCES
Schedule-26c

Amounts in Rs.

SNO	PARTICULARS	A/c Code	As on 31.3.2005	As on 31.3.2004
1	Cash on Hand	24.1	74518425	48712605
2	Balance with Banks	24.3,24.4	568799924	329885162
3	Cash in Transit	24.5,24.6	157641618	133124276
4	Total		800959967	511722043



LOANS AND ADVANCES
Schedule-26d

Amounts in Rs.				
SNO	PARTICULARS	A/c Code	As on 31.3.2005	As on 31.3.2004
1	Advances for O&M supplis/works	26.1 to 26.7	52480074	52287608
2	Loans and Advances to Staff	27.1 & 27.2	15345821	27371806
3	Advance Income Tax/Deduction at source	27.4	8608	8608
4	Loans and Advances -others	27.8	18910	18910
5	Loans and Advances - SPDCL Trusts	27.3	0	635160000
6	Amounts Receivable from A.P.TRANSCO P & G Master Trust	57.17	153715561	74165751
	TOTAL:		221568974	789012683

SUNDRY RECEIVABLES
Schedule-26e

Amounts in Rs.				
SNO	PARTICULARS	A/c Code	As on 31.3.2005	As on 31.3.2004
1	Sundry Debtors-Trading Account	28.1	90922276	82240343
2	Other Income accrued but not due	28.29	2840185	338009
3	Amount recoverable from employee/Ex-employees	28.4	11579700	12794265
4	Other Claims and Receivables	&28.8	126040628	109848394
5	Amounts Receivable from Government of Andhra Pradesh towards Agricultural Arrears	28.830 & 28.831	3652146212	3142854430
6	Receivable from REC towards investment in Kuppam RESCO	28.87	2732987	0
7	Other claims under Inter Unit accounts	30 to 39	55566701	55593068
8	Deposits	28.9	15889978	11520395
9	TDS deducted by Banker on Interest on FD's	28.92	4452328	0
10	Electricity duty recoverable from Government of Andhra pradesh	46.3	18255554	15569514
11	SPDCL GPF Trust	57.171	35692922	(16501987)
	Total		4016119471	3414256431

SECURITY DEPOSITS FROM CONSUMERS
Schedule - 27

Amounts in Rs.				
SNO	PARTICULARS	A/c Code	As on 31.3.2005	As on 31.3.2004
1	Security Deposits from Consumers	48.1	2960352555	2722802035
2	Interest payable on Consumers Deposits	48.3	116582830	61636581
	Total		3076935385	2784438616

OTHER CURRENT LIABILITIES
Schedule-28

Amounts in Rs.				
SNO	PARTICULARS	A/c Code	As on 31.3.2005	As on 31.3.2004
1	Liability for Purchase of Power	41.1, 41.2	4372484405	2897326077
2	Liability for Capital Supplies and O&M supplis/works	43.1 to 43.3	409699741	322992137
3	Staff related liabilities and provisions	44.1 to 44.4	158129040	148373820
4	Deposits and retentions from suppliers and contractors (net of deposite received in form of investments etc.)	46.1	247385327	224595629
5	Payables-RESCO-Rayachoty	46.31	10015034	0
6	Liability for Expenses	46.4	45538349	35370260
7	Accrued/unclaimed amounts relating to borrowings	46.7	111118994	95481366
8	Other Liabilities and Provisions	46.9	108174070	83538024
9	Provision for Tax	46.8	0	4502000
10	Deposits for electrification service connection etc	47	106970081	123890535
11	Liability towards Kutir Jyoti Scheme	47.35	6075120	6075120
12	SPDCL P & G Trust	57.172	19029153	412862114
	Total		5594619314	4355007082

PAYMENT DUE ON CAPITAL LIABILITIES Schedule-31

SNO	PARTICULARS	Amounts in Rs.						
		Due at the beginning of the previous year	Becoming due during the previous year	Payments made during the previous year	Due at the end of the previous year	Becoming due during the year	Payments made during the year	Due at the end of the year
	REPAYMENTS DUE:							
1	REC	0	703071034	703071034	0	1028910602	1028910602	0
2	PFC	0	46984672	46984672	0	46984670	46984670	0
3	Govt Loans	0	711721496	711721496	0	533207592	533207592	0
4	DFID / AIJ	0	0	0	0	3384000	3384000	0
5	PMGY	0	0	0	0	80054133	80054133	0
6	APDP	0	0	0	0	260204000	260204000	0
7	A.P.Transco **	0	0	0	0	16404815	16404815	0
8	A.P.Transco ***	0	0	0	0	0	0	0
	Total :	0	1461777202	1461777202	0	1969149812	1969149812	0

CAPITAL LIABILITIES Schedule-32

SNO	PARTICULARS	A/c Code	Outstanding at the beginning of the previous year	Amount received during the previous year	Repayments due during the previous year	Details of Interest rate moratorium and rate applicable at the end of the year	Out standing at the end of the previous year	Amount received during the year	Repayments due during the year	Amount in Rs.
										Out standing at the end of the year
1	Loan from REC*	53.301	4590177707	3218648927	703071034	13-14.5%& moratorium 2 years	7105755600	1952684000	1028910602	8029528998
2	Loan from PFC	53.710	304314427	0	46984672	16.75% & 1 1/2 year moratorium	257329755	0	46984670	210345085
3	Loan from Govt. of A.P	54.100	650704621	113149467	711721496	12.50%	52132592	772818200	533207592	291743200
4	DFID / AIJ		3384000	0	0	12.50%	3384000	0	3384000	0
5	PMGY		25575000	52420000	0	12.50%	77995000	30887000	80054133	28827867
6	APDP		114225000	145979000	0		260204000	0	260204000	0
7	A.P. Transco**		0	0	0		0	393715592	16404815	377310777
8	A.P. Transco***		0	0	0		0	435134133	0	435134133
	Total		5688380755	3530197394	1461777202		7756800947	3585238925	1969149812	9372890060

* The REC loans are secured by mortgage of assets of the company to the extent of Rs.161.58 crores.

** ICICI Bank

*** Bank of Baroda

EQUITY
Schedule - 33

Amounts in Rs.

SNO	PARTICULARS	As on 31.3.2005	As on 31.3.2004
1	Authorized Share Capital : 3600000000 Equity Shares of Rs.10/- each	3600000000	3110000000
2	Subscribed and Shares Alloted : 358715309 Equity Shares of Rs.10/- each fully paid up out of which 48107500 No. of shares has been issued during the year to State Government of Andhra Pradesh(of which 310607800 Equity Shares are issued for consideration other than cash)	3587153090	3106078090
	TOTAL EQUITY :	3587153090	3106078090

CONTRIBUTIONS, GRANTS AND SUBSIDIES TOWARDS COST OF CAPITAL ASSETS

Schedule-34

Amounts in Rs.

SNO	PARTICULARS	A/c Code	Balance at the beginning of the previous year	Received during the previous year	Balance at the end of the previous year	Additions during the year	Total at the end of the year
1	Consumers Contribution	55.1	2398348792	713355796	3111704588	670706641	3782411229
2	Subsidies towards cost of Capital Assets	55.2	7132685	0	7132685	177392	7310077
3	Grants towards cost of Capital Assets	55.3	114225000	145979000	260204000		260204000
4	Grant Received from REC towards Kutir Jyothi Scheme	55.3	53955000	88809960	142764960	27169780	169934740
5	Total		2573661477	948144756	3521806233	698053813	4219860046

Kutir Jyothi scheme envisages grant for the purpose of release of single point light connection to the households of rural poor .

RESERVE AND RESERVE FUNDS
Schedule-35

Amounts in Rs.

SNO	PARTICULARS	A/c Code	Balance at the beginning of the Previous year	Additions during the previous year	Deductions during the previous year	Balance at the end of the Previous year	Additions during the year	Deductions during the year	Balance at the end of the year
	RESERVES								
1	Contingency Reserve	56.6	31200000	26300000	0	57500000	32290750	0	89790750
	Sub-Total		31200000	26300000	0	57500000	32290750	0	89790750
	RESERVE FUNDS								
2	General Provident Fund	57.121 & 57.122	0	362587078	362587078	0	599106235	599106235	0
3	FBF	57.151	(861228)	0	999529	(1860757)	0	1080588	(2941345)
4	Group Insurance Savings Fund	57.152 & 57.153	4475600	10995430	7824974	7646056	11256005	7833664	11068397
5	Group Insurance Fund	57.154	(631409)	1279713	1541825	(893521)	1111135	1763746	(1546132)
6	Pension /Gratuity Fund	57.130, 57.141, 57.142, 57.145, 57.148, 57.149	16046400	1157892571	976957377	196981594	658405819	838913054	16474359
7	Employees Welfare Fund	57.142, 57.147, 57.155	0	0	0	0	1150261	269606	880655
	Sub-Total		19029363	1532754792	1349910783	201873372	1271029455	1448966893	23935934
8	Grand Total		50229363	1559054792	1349910783	259373372	1303320205	1448966893	113726684

STATEMENT OF ACCOUNTING POLICIES

STATEMENT - 4

STATEMENT ON COMPLIANCE WITH THE PROVISIONS OF THE ELECTRICITY (SUPPLY) ACT, 1948 AND THE RULES MADE THEREUNDER:

1. BASIS OF PREPARATION OF ACCOUNTS:

- i) The Annual Accounts of the company has been prepared as per Electricity (Supply) Annual Accounts Rules, 1985 and the deviations made from the Basic Accounting Policies have been disclosed below.
- ii) Further, the accounting principles / accounting policies enunciated in Electricity (Supply) (Annual Accounts) Rules 1985, are not in total consonance with the Accounting Standards referred to in Section 211 (3 C) of the Companies Act, 1956.
- iii) The Financial statements have been prepared under the historical cost convention, going concern concept and mercantile basis to comply in all material respects with the accounting policies and principles enunciated in Electricity (Supply) (Annual Accounts) Rules 1985 except in the case of Interest on Family Benefit Fund and certain non recurring items being leave encashment, guarantee commission, post retirement medical benefits which are accounted on Cash Basis

2. FIXED ASSETS:

Fixed Assets are shown at historical cost except for the assets transferred under Second Transfer Scheme.

3. DEPRECIATION:

- i) Depreciation has been provided on straight line method over the 'estimated useful life of the asset'.
- ii) The Company charges depreciation on the assets in use in the beginning of the year and limiting the depreciation to 90% of the cost of asset.
- iii) Depreciation charge on the asset shall cease from the year following the year in which:
 - a) Current year depreciation along with the depreciation charged in the previous year(s) becomes equal to or more than 90 percent of the cost of the asset or
 - b) The asset permanently ceases to be used by the Company whichever is earlier.
- iv) Depreciation charge on a newly commissioned asset commences in the next year immediately following the year of commissioning.

4. CAPITAL WORK IN PROGRESS:

- i) The expenditure towards capital works in progress is accumulated in various work orders and the same is capitalized during the succeeding year.
- ii) The Company adopts a policy of allocating 20% of the Employees cost to the capital expenditure.
- iii) The interest during construction is capitalized on the basis of Balance Net Assets / Assets at Construction Stage method.

5. INVENTORIES:

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

6. LIABILITIES :

- i) All known liabilities are recorded and provided in the accounts.
- ii) Government grants and Contributions received from consumers towards capital assets are treated as capital receipts and credited to Capital Reserve Account.

7. RETIREMENT BENEFITS :

- i) The liability towards retirement benefits of employees in respect of Pension, and Gratuity are ascertained once in two years based on actuarial valuation and the provision is made at the year-end.
- ii) The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on cash basis.

8. INCOME RECOGNITION :

- i) Sale of energy is accounted on accrual basis as per the tariff rates approved by the Andhra Pradesh Electricity Regulatory Commission.
- ii) The incentives to HT Consumers and the surcharge on late payment / overdue sundry debtors for sale of energy is accounted on accrual basis.
- iii) Income on sale of scrap is recognized only at the time of sale.

9. COST ACCOUNTING RECORDS :

As required by Section 209(1)(d) of the Companies Act, the Company has maintained Cost Accounting records

As per our report of even date

For Sankaran & Krishnan

For and on behalf of the board

Chartered Accountants.

Sd/-

Sd/-

Sd/-

(S.CHANDRAN)

P.GOPAL REDDY

Dr. K.P. ANAND

Partner.

Chairman & Managing Director

Director (Finance)

Place: CHENNAI

Sd/-

Date : 25-08-05

K.SATEESH GUPTA

Place : TIRUPATI

Company Secretary

Date : 25-08-05

NOTES TO ACCOUNTS
STATEMENT - 5

1. The billing for domestic, commercial and general-purpose categories of consumers is carried out on Bi-monthly basis except for certain high value billing including HT and for LT category III & IV, which are done on a monthly basis. All municipal towns in LT Category I are billed on monthly basis.
2. The Opening balance of Net Assets amounting to Rs.564.21 crores as on 1-04-2000 has been adopted in the books as per the second transfer scheme notified by the Government Order Notification dated 29th September 2001 for which break up details are not available. The classification of the Assets and liabilities are not confirmed by APTransco.
3. The company has received Rs.76.00 crores (Previous year Rs32.60crores) as Unscheduled inter change charges benefit from APTRANSCO towards efficient grid management. This has been accounted as other income.
4. The Company has received Tariff Subsidy of Rs 334.05 crores from government of Andhra pradesh for the year 2004-05 (previous year Rs. 401.58 crores).
5. An amount of Rs 4.30 Crores has been accounted as unbilled revenue as prior period income, being the differential amount due from Railways due to change in the category effected from 1999. However confirmation is awaited from Railways.
6. i) The Fuel Surcharge Adjustment (FSA) as communicated by APTRANSCO up to August-2004 has been billed to the consumers. Since the FSA for the period from Sept-2004 to March-2005 has not been communicated by APTRANSCO, the same has neither been accounted to Power Purchase nor billed to the consumers.
ii) The company has collected a portion of FSA for the year 2003-04 in the year 2004-05 and balance portion of the FSA is expected to be collected in 2005-06.
7. Balance amount standing in the Preliminary Expenses account amounting to Rs 15.78 lacs has been written off during the year.

8. The original share certificates in respect of Rural Electricity Co-operative Societies of Atmakur, Rayachoty and Kuppam are yet to be received.

9. FIXED ASSETS:

- a. Fixed Assets transferred in the second transfer scheme amounting to Rs.799.57 crores has been classified as communicated by APTransco at gross value and hence individual breakup is not available.
- b. The company follows the policy of capitalizing the amount incurred towards capital work-in-progress in the following financial year irrespective of the fact whether the capital work has been completed or not. This policy has been followed consistently.
- c. In accordance with the provision of Electricity Supply (Annual Accounts) Rules, 1985 the grant received towards cost of capital assets during 2004-05 amounting to Rs.69.81 Crores has been taken to capital reserve.

10. DEPRECIATION:

- i) Depreciation has been charged on fixed assets under Straight Line Method on the Opening Gross Block of assets as on 1.4.2000. Further, depreciation is provided on additions from the succeeding year of its addition.
- ii) The Company is following Depreciation rates as notified by the Ministry of Power, Government of India through Gazette Notification No.S.O.266 (E) dated 29th, March, 1994.

11. INVENTORIES:

- i) There is a difference of Rs.10.11 crores between the physical inventory (as certified by the management) and the value as per the financial ledger as on 31.03.2005. The Company was holding a provision in the accounts for stock deficit to the tune of Rs. 24.05 crores. The shortage of Rs. 10.11 crores (as stated above) was set off against the provision and the excess provision amounting to Rs.13.95 crores has been written back and shown as a part of prior period adjustment.
- ii) The company has provided Rs.2.67 crores towards Non-moving and obsolete stock as on 31.03.2005.

12. DEBTORS:

- i) The credit balance in the Sundry debtors amounting to Rs.19.17 Crores is netted off from the Sundry debtors.
- ii) As per the Financial ledger the Sundry debtors account shows a balance of Rs.200.74 crores where as, as per the Consumer ledger the balance shown is Rs.174.46 crores. The difference of Rs.26.28 crores is under reconciliation.

13. EMPLOYEE BENEFITS:

- i) The company is in the process of obtaining the revised actuarial valuation for the terminal benefits of employees as on 31.03.2005., awaiting which adhoc Provision towards pension and gratuity has been made based on earlier actuarial valuation amounting to Rs.17.97 crores. Against this liability, the Company has deposited Rs.21.03 Crores to the Pension and Gratuity Trust, during the year as per Tariff Order.
- ii) The company has not made any provision for earned leave encashment, as the company is accounting the same on cash basis.
- iii) The company has implemented Employees Provident Fund Scheme, 1952 for the eligible employees from the financial year 2002-03 for employees who have joined after 1.2.99 or from the date of employment, which ever is later. (For the employees who were not covered under GPF scheme.)
- iv) As per the provisions of Section 16 (i)(A) of the Payment of Bonus Act 1965, the Company is exempt from Payment of Bonus to the employees for the first six years of the commencement of its services.

14. TAKE OVER OF RESCOs':

- i) The Company has taken over the operations of Two Rural Electricity Co-operative Societies (RESCO Atmakur - Nellore district and RESCO Rayachoty - Kadapa District) from January 01, 2005 in terms of Government Order MS No.125 dated 15.10.2004. The company has received the valuation report of the Liquidators and is yet to form an opinion on the reports pending which the company has only accounted the revenue income and revenue expenditure of these RESCOs and has not taken over the assets and liabilities.

- ii) As the liabilities and assets of these RESCOs have not been taken into account, the liability towards employees gratuity, Employee Provident Fund and Earned leave encashment have not been accounted in the company's books.

15. LOANS AND INTEREST ON LOANS:

- i) All the Loans from Power Finance Corporation (PFC) / Rural Electrification Corporation (REC) are guaranteed by the Government of Andhra Pradesh, except for the loans from REC where the assets worth Rs.161.58 Crores have been mortgaged to REC.
 - ii) The interest & finance charges on REC, PFC and Government Loans, including guarantee commission of Rs.5.24 crores paid to Government of Andhra Pradesh for Loans obtained from REC have been allocated proportionately to the Capital Works in Progress as Interest during Construction and Revenue expenses based on the provisions of Electricity (Supply) Annual Accounts Rules, 1985.
 - iii) In the absence of confirmation of interest demand by REC, the Interest charges have been accounted as per APTRANSCO's direction.
16. Cash-in-transit includes Cheques and DDs on hand amounting to Rs.41.50 crores as on 31.03.2005 in various units.
 17. During the year the Company has received a demand of Rs.2.35 crores towards Andhra Pradesh Entry Tax. No Provision has been made for the same since the company has made an appeal with the relevant authorities.
 18. Balances in sundry debtors, sundry creditors, other claims and receivables, Deposits & retentions of suppliers and contractors, Deposits for electrification service connections, liability for capital supplies, O&M supplies and loans and advances as on 31.03.2005 are subject to reconciliation and confirmation.
 19. The balance payable of Rs 437.25 Crores towards purchase of power and advance payments made to suppliers /Contractors on behalf of the company by APTRANSCO are subject to confirmation and reconciliation
 20. Inter unit account shows a net difference (debit) of Rs 5.56 Crores as on 31-03-2005 which is subject to reconciliation.
 21. Sundry receivables (refer schedule 26) include Rs 365.12 Crores representing the amount receivable from the government of Andhra Pradesh towards dues for the supply of power to Agriculture Category.
 22. In the case of expired lease agreements and continued usage of leased assets after the lease period provision for lease rental have not been made in the books of the company.
 23. The Company has created a Contingency Reserve of Rs 3.03 Crores in terms of the Tariff Order 2004-05.
 24. Deferred tax asset/liability as per AS 22 has not been recognized since there is no certainty that sufficient future taxable income will be available
 25. Incidental expenses incurred on the purchase of materials amounting to Rs 1.28 Crores are treated as period costs.
 26. The documentation for the loan from ICICI Bank and Bank of Baroda is yet to be completed and the loan has been arranged by APTRANSCO on behalf of the company.
 27. During the year the Company changed the method of accounting regarding capitalization of employee costs. Twenty percent of employee costs has been capitalized as against ten percent followed in earlier years. This resulted in reduction of loss by 28.14 crores for the year with the corresponding increase in allocation of Capital expenditure.
 28. During the year the Company has incurred an amount of Rs 132200/- as expenditure towards Foreign Travel.

29. Payments and Benefits to Board of Directors:

(Figures in Rupees)

		FY : 2004-05		FY : 2003-04	
Serial No.	Particulars	Chairman and Managing Director	Other Directors	Chairman and Managing Director	Other Directors
1	Salary / Remuneration	515104	1161785	486632	1082048
2	Traveling Expenses	9461	11554	Nil	Nil
	Total	524565	1173339	486632	1082048

30. Loans and Advances to Directors - NIL.

31. i) Consumption figures given in the schedule No.3, are based on the actual consumption in respect of categories I to VIII except in case of category 5 - Agriculture.

ii) The Company has assessed the Agricultural consumption based on the readings of meters provided on the LV side of the distribution transformers feeding agricultural loads.

32. Contingent Liabilities:

The Contingent Liability with respect to pending court cases, claims against the company not acknowledged as debts and capital commitments have not been assessed as on 31.3.2005

33. Quantitative Details of Purchase and Sales of energy:

Energy Purchased and Sold	Purchases		Sales	
	In MU	Rs. In Crores	In MU	Rs. in Crores
FY: 01-02	8838	1729.15	6902	1514.04
FY: 02-03	9561	1965.19	7531	1892.34
FY : 03-04	10026	1987.96	8087	1881.59
FY:04-05	11060	2050.99	9056	1991.41

34. The previous year figures have been regrouped wherever necessary.

As per our report of even date
For Sankaran & Krishnan
Chartered Accountants.

For and on behalf of the board

Sd/-
(S.CHANDRAN)
Partner.

Sd/-
P.GOPAL REDDY
Chairman & Managing Director

Sd/-
Dr. K.P. ANAND
Director (Finance)

Place: CHENNAI
Date : 25-08-05

Sd/-
K.SATEESH GUPTA
Company Secretary

Place : TIRUPATI
Date : 25-08-05

**Sources and Uses of Funds
Statement-7**

Particulars		2004-05
		Rs. in Crores
FUNDS PROVIDED BY :		
Profit before tax (excluding Revenue Subsidies and Grants)		(328.07)
Less : Tax payments during the year		0.00
Add : Debits to Revenue Account not requiring cash outlay		0.00
Depreciation		116.05
Amortisation of Deferred Costs		0.16
Amortisation of Intangible assets		0.00
Less : Credits to Revenue Account not involving cash receipts		0.00
Net funds from Earnings:		(211.87)
Receipts of Revenue Subsidies and Grants		334.05
Contributions, Grants and Subsidies towards Cost of Capital Assets		69.81
Proceeds from disposal of fixed assets		0.00
FUNDS FROM OPERATION :		191.98
Increase / (Decrease) in working capital:		
Increase / (Decrease) in Stocks	43.91	
Increase in Receivables against supply of power	59.18	
Increase in Loans and Advances	(56.74)	
Increase in Sundry Receivables	60.19	
Sub Total :	106.53	
Increase in Security Deposits from consumers	23.76	
Increase in Current and Accrued Liabilities	123.96	
Net Increase / Decrease in Working Capital:		41.19
Increase in Cash and bank balances		28.92
Increase / Decrease in borrowings for Working Capital		0.00
Funds utilised on Working Capital:		70.11
Net Funds from Operations:		262.10
UTILISATION OF FUNDS:		
Funds utilized for Capital Expenditure		
On projects		338.07
Intangible Assets		0.00
Deferred Costs		0.00
Total Capital Expenditure:		338.07
Shortfall in Capital Funds met from External Sources		75.98
Net increase / decrease in Capital Liabilities:		
Fresh Borrowings		
State Govt. Loans	80.37	
Foreign Currency Loan Credits	0.00	
Other Borrowings	278.15	
Less : Repayments		
State Govt. Loans	87.68	
Foreign Currency Loan Credits	0.00	
Other Borrowings	109.23	
Increase / Decrease in Capital Liabilities		161.61
Net (increase) / decrease in Investments		17.28
Net Capital Funds from external sources		161.61
Net Funds from Operations as a % of total Capital Expenditure		78%

STATEMENT OF CAPITAL BASE AND SURPLUS
(Under Section 59 of the Electricity (Supply) Act, 1948)
Statement - 8

Rs. in Crores

Particulars	Sch. No	At the beginning of this year (as on 1.4.2004)	At the beginning of this year (as on 1.4.2003)
1. Original Cost of Fixed Assets	19	1499.40	1313.22
2. Less: Accumulated Depreciation	19	714.12	614.88
3. Net Block (1 - 2)		785.28	698.33
4. Consumers' contribution	34	352.18	257.37
5. CAPITAL BASE (3 - 4) (ie value of fixed assets in service at the beginning of the year under Section 59)		433.10	440.96
Particulars		2004-2005	2003-2004
6. Surplus / (Deficit)	1	5.98	2.61
7. Surplus as a % of capital base (under section 59)		1.38%	0.59%

WHAT WE EARNED AND SPENT (FY: 2004-05)	Rs. in Crores
We Earned (Revenue):	
From Electricity Sales	1991.41
From Other Income	142.91
From Revenue Subsidies and Grants	334.05
TOTAL:	2468.37
We Spent:	
Expenditure on Purchase of Power, Employees Cost, Repairs and Maintenance, Administration and General Expenses, Other Debits	2305.59
Interest & Finance Charges	134.53
Depreciation	116.05
Less : Expenses and Interest Capitalization	93.77
TOTAL:	2462.40
Surplus / (Deficit) during the Year:	5.98

Statement of Technical Particulars

Statement 9

S. No	Particulars	This Year	Previous Year
1	Installed generating Capacity in (MW) at the year-end		
	Hydel		
	Thermal		
	Total		
2	Normal Maximum Demand on the System(In MW)		
	a) Restricted		
	b) Unrestricted		
3	Plant Capacity Available at the time Maximum System demand was met		
	(as a Declared Net Capacity of the Generating System)	N.A	N.A
4	Plant Load Factor		
5	Generation (in Million KWH)		
	Hydel		
	Thermal		
	Total		
6	Auxiliary Consumption (in Million KWH)		
7	Power Purchase (in Million KWH)		
	APTRANSCO	11059.85	10025.98
	Total	11059.85	10025.98
8	Power Available for Sale (in Million KWH) 5-6+7	11059.85	10025.98
9	Power Sold	9055.56	8086.92
10	Transmission and Distribution Losses		
	- In Million KWH	2004.29	1939.06
	- As a% of Total Power Available	18.12%	19.34%
11	Fuel		
	a) Consumption in MT		
	Coal		
	RFO/FO		
	LD oil/HSD		
	b) Average Calorific Value per Kg of Fuel Consumed (In K.Cal./KG)		
	Coal	N.A	N.A
	RFO/FO		
	LD oil/HSD		
	C) Consumption Per unit of Generation		
	Coal		
	RFO/FO		
	LD oil/HSD		

Statement 9

Sl. No	Particulars	2004-05		2003-04	
		No of Consumers	Connected Load in KW	No of Consumers	Connected Load in KW
		1	2	3	4
12	Sale of Power				
	Consumer Category				
1	Domestic	3395982	2208183	3310363	1935190
2	Commercial	336210	448462	322501	416270
3	Public Lighting	31401	141394	29313	82900
4	Irrigation and Dewatering	499621	2508370	474468	2284675
5	Public Water Works	21657	19721	20953	19320
6	Industrial (LT/HT, Power Intensive Special)	78188	1435056	73369	1282400
7	Railway Traction	11	103000	11	103000
8	Bulk Supply(RESCO)	1	1860	3	5560
9	Outside Suppliers	0	0	0	0
10	Miscellaneous	1	0	0	0
	Total	4363072	6866046	4230981	6129315

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:		
Registration No.	:	34118
State Code	:	01
Balance Sheet Date	:	31-03-2005
II. Capital raised during the Year		
	:	(Rupees in Thousands)
Public Issue	:	-
Rights Issue	:	-
Bonus Issue	:	-
Private Placement	:	481075
III. Position of Mobilisation and Development		
	:	(Rupees in Thousands)
Total Liabilities	:	25965185
Total Assets	:	25965185
Sources of Funds		
Paid up capital	:	3587153
Reserves & Surplus	:	113726
Secured Loans	:	1615800
Unsecured Loans (Guaranteed by Govt. of A.P)	:	7757090
Application of Funds		
Net Fixed Assets	:	10496771
CWIP	:	4027488
Investments	:	403985
Net Current Assets	:	2176543
Miscellaneous Expenditure	:	-
IV. Performance of the Company		
	:	(Rupees in Thousands)
Turnover	:	24683729
Total Expenditure (including net prior period Credits)	:	24623975
Profit / (Loss) before Tax	:	59754
Profit / (Loss) After Tax	:	59754
Earnings per Share	:	Rs. 0.16
Dividend Rate %	:	NIL

V. Generic Names of Principal products / Services of the Company

Item Code No.	Product Description
N.A.	Distribution of Power



Proxy form

Southern Power Distribution Company of A.P. Limited

Registered Office: 19-3-13(M), Renigunta Road, Tirupati – 517 501

Phone : 0877-2284109 Fax: 0877-2284111

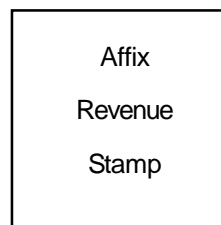
PROXY FORM

I, Sri..... S/o.....R/o..... being a member of Southern Power Distribution Company of A.P. Limited hereby appoint Sri.....S/o.....R/o.....as my proxy to attend and vote for me, on my behalf at the Fifth Annual General Meeting of the Company to be held on Wednesday, the 28th December, 2005 at 11.00 A.M. or at any adjournment thereof at the Registered Office of the Company.

Signed this..... Day of 2005.

Place:

Date :



CMD Monthly Review Meeting



Chairman & Managing Director addressing
along with Directors



Officials of Operation Circle, DPE & Assessments



Officials of Corporate Office

Proposed Corporate Office Building

A View of
Corporate Office



A View of
IT Wing & Parking



A View of
Load Despatch Centre

