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BOARD OF DIRECTORS

1.	Dr. P.V.Ramesh, IAS	-	Chairman
2.	Sri Ajay Jain, IAS	-	Director
3.	Sri K.Vijayanand, IAS	-	Director
4.	Smt.K.Sunitha, IAS	-	Director
5.	Sri. P Satya Moorthy	-	Director
6.	Sri Rahul Pandey, IFS	-	Managing Director

REGISTERED OFFICE :

H Block (North), Ground Floor,
A.P. Secretariat, Hyderabad - 500 022.

STATUTORY AUDITORS :

SHARMA & SASTRY

CHARTERED ACCOUNTANTS

5-3-318, Jeera, M.G. Road,
Secunderabad - 500 003.

INTERNAL AUDITORS

Sagar & Associates, Chartered Accountants
Prem Nagar, Hyderabad - 500004

REGISTRARS & BOND TRANSFER AGENTS :

Karvy Computershare Private Limited,

Karvy Selenium Tower B, Plot 31-32, Financial District,
Nanakramguda, Gachibowli, Hyderabad - 500 032

TRUSTEES & BANKERS :

STATE BANK OF HYDERABAD

Merchant Bank Division, Gunfoundry Branch, Abids,
HYDERABAD-500 001

LISTING OF BONDS :

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

EXCHANGE PLAZA, BANDRA KURLA COMPLEX,
BANDRA (E), MUMBAI - 400 001

CORPORATE IDENTITY NUMBER (CIN)

U40109TG2000SGC034911



NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Andhra Pradesh Power Finance Corporation Limited will be held on Thursday, the 31st day of December, 2015 at 2.50 PM in the Chamber of Principal Finance Secretary to Govt. (Finance), Finance Department, Room No.2, 1st Floor, 'H' Block North, A P Secretariat, Hyderabad - 500 022, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2015, the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To consider and if, thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution

"RESOLVED that pursuant to the Provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013, the remuneration of the Statutory Auditors, M/s SHARMA & SASTRY, Chartered Accountants, Hyderabad as appointed by the Comptroller & Auditor General of India (C&AG) under Section 139(5) of the said Act (erstwhile Section 619 (2) of the Companies Act, 1956), be and is hereby approved at Rs.75,000/- plus service tax as applicable, in addition to actual reasonable out of pocket expenses for the year 2015-16."

For and on behalf of the Board

Place : Hyderabad.

Date : 31-12-2015

(Rahul Pandey, IFS)
Managing Director

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 and the proxy need not be a member of the Company.
2. The instruments of proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. The Explanatory Statement as required under Section 102 of the Companies Act, 2013 is annexed hereto.
4. Members may inspect the copies of documents referred to in the Notice and directors report during business hours on all working days till the date of AGM.

**DIRECTORS' REPORT**

To

The Members

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

Your Directors have pleasure in presenting the 15th Annual Report on the operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2015.

FINANCIAL RESULTS

The shareholders are informed that consequent to the division of the state of Andhra Pradesh into the states of Andhra Pradesh & Telangana and in terms of the provisions of the Andhra Pradesh Reorganization Act 2014, the entire Assets and Liabilities of the company have been divided between the two States. With effect from 2nd June 2014, the entire Assets and Liabilities of the company has been divided as per the GO Ms No. 28 dated 30-5-2014 and GO Ms No. 134 dated 31-5-2014 issued in this regard. The Assets and Liabilities and other transactions related Telangana state have been transferred to Telangana Power Finance Corporation Limited (TPFCL) and the Assets and Liabilities and others transactions related to the residue Andhra Pradesh are retained and continued in the company. Thus the Financial Statements as on 31-3-2015 reflect the transactions that are related to residue Andhra Pradesh only. The summary of the financial results of the company are as below:

Particulars	(Rupees in Crores) For the year ended	
	31-03-2015	31-03-2014
Revenue from operations - Receipts from Govt. of A.P	222.40	552.94
Other Income	0.18	0.18
Total Expenditure	222.58	553.12
Profit / (Loss) Before Tax	-	-
Provision for Tax- FBT	-	-
Profit / (Loss) After Tax	-	-
Balance brought forward from previous year	-	-
Balance carried to Balance Sheet	-	-

APPFCL BONDS :

The Shareholders are informed that in the 134th meeting of Board of Directors of APPFCL held on 16.04.2014, the Board approved the ratio of allocation of Bonds between the state of Telangana & state of Andhra Pradesh as below :

PARTICULARS	TELANGANA	ANDHRA PRADESH	TOTAL
Ratio	59.54%	40.46%	100%
Bonds (Rs. In crores)	3509.60	2385.00	5894.60

Govt. of Andhra Pradesh had issued the following two G.os :

- G.O Ms No.28 ENERGY (CC) Dept. dated 30.05.2014 confirming the above ratio of allocation of Bonds between TS & AP and
- G.O Ms No.134 FINANCE (DCM-II) Dept. dated 31.05.2014 confirming the ratio of apportionment of the Guaranteed Loans (both Principal & Interest) outstanding as on 31.03.2014 between TS & AP, in which the same ratio of apportionment was confirmed.

The final "Demerger Plan" was prepared on the basis of G.O Ms.No.28 ENERGY(CC) Dept. dated 30.05.2014 and was submitted to the Expert Committee on 15.04.2015 along with Audited accounts for the period 01.04.2014 to 01.06.2014. A copy of the final "Demerger Plan" along with Audited accounts for the period 01.04.2014 to



01.06.2014 was forwarded to the Secretary to Govt. of Telangana, Energy Dept and Director, Telangana Power Finance Corporation Limited (TPFCL). "Demerger Plan" is pending with Expert Committee.

Consequent to the reorganization of the state of A.P, both successor states have paid the Principal & Interest amounts on the above basis for 18 times. Later, TPFCL had raised an objection that the "Demerger Plan" was not prepared in accordance with the provisions of A.P Reorganization Act, 2014 and the basis of apportionment of APPFCL Bonds is not in accordance with the provisions of Section.68 read with Section.53 of the A.P Reorganization Act, 2014 and requested the MD/APPFCL to reallocate/reapportion the outstanding APPFCL Bonds as per "Population Ratio" i.e 41.68 (TS) : 58.32 (AP). TPFCL is also claiming that it has already paid an excess amount of Rs.141.69 crores during the FY 2014-15 and the same amount can be adjusted towards future payments (during FY 2015-16).

Shortfall in payment of Interest on APPFCL Bonds by TPFCL :

There was a short payment by TPFCL towards regular interest on series 1/2012 & 2/2012 due on 01.07.2015, series 3/2012 due on 01.09.2015 and series 1/2010, 1/2011 & 2/2011 due on 1.10.2015, details are as below:

Particulars	Total Interest payable	APPFCL (40.46%)		TPFCL (59.54%)		
		Amount payable as per G.O Ms.No.28	Amount Paid	Amount payable as per G.O Ms.No.28	Amount Paid	Shortfall in payment by TPFCL
Regular interest on series 1/2012 & 2/2012 due on 01.07.2015	Rs.63,84,43,300	Rs.25,83,20,600	Rs.25,83,20,600	Rs.38,01,22,700	Rs.26,60,95,000	Rs.11,40,27,700 (17.86%)
Regular interest on series 3/2012 due on 01.09.2015	Rs.87,14,55,000	Rs.35,26,08,750	Rs.35,26,08,750	Rs.51,88,46,250	Rs.36,32,36,000	Rs.15,56,10,250 (17.86%)
Regular interest on series 1/2010, 1/2011 & 2/2011 due on 1.10.2015	Rs.90,36,48,750	Rs.36,58,58,750	Rs.36,58,58,750	Rs.53,77,90,000	Rs.37,66,28,000	Rs.16,11,62,000 (17.86%)

The short payment by TPFCL has not only caused hardship to the Bondholders but also affected the credibility of APPFCL.

The Board of Directors of APPFCL in their 141st meeting held on 27.10.2015 had decided that, in future any servicing of APPFCL Bonds (interest or principal amount) should be done by respective Corporations and the present practice of payment of TPFCL's share by APPFCL should be discontinued and accordingly TPFCL was informed to open & operate its own "no-lien a/c" and make payment to Bond holders directly. A meeting of Bond holders & Trustee was also convened to explain them about the basis of apportionment of Bonds, reason for the shortfall in payment and role of TPFCL thereat.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 134 (5) of the Companies Act, 2013 with respect to the Director's Responsibility Statement, it is hereby confirmed:

- i. In the preparation of the annual accounts for the financial year ended 31st March 2015, the applicable accounting standards had been followed along with proper explanation relating to material departures;



- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the company for that period;
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors had prepared the accounts for the financial year ended 31st March 2015 on a 'going concern' basis; and
- v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

NUMBER OF MEETINGS OF THE BOARD

During the financial year 2014-15, five meetings of Board of Directors were held on 21.04.2014, 31.05.2014, 24.09.2014, 06.11.2014 and 30.03.2015.

DIRECTORS

Changes in directorships from 01.04.2014 till the date of Directors Report is as below :

Sl. No.	Name of the Appointee	Designation	In the place of	Date of Event
1	Dr. Shailendra Kumar Joshi, IAS	Nominee Director	Sri Mrutunjay Sahoo IAS	15-04-2014
2	Sri Ajay Jain, IAS	Nominee Director	Dr. Shailendra Kumar Joshi, IAS	22-07-2014
3	Sri Ajay Jain, IAS	Managing Director (I/C)	Sri Munindra, IFS	31-07-2014
4	Sri Rahul Pandey, IFS	Managing Director	Sri Ajay Jain, IAS	17-03-2015
5	Sri P. Sathya Moorthy	Director	--	31-01-2015
6	Dr. P.V. Ramesh, IAS	Nominee Director	Sri Ajeya Kallam, IAS	04-07-2015
7	Smt. K. Sunitha, IAS	Nominee Director	Sri L. Premchandra Reddy, IAS	21-09-2015

AUDIT COMMITTEE

The Audit Committee of the Board consists of the following Directors:

1. Dr.P.V.Ramesh, IAS - Chairman
2. Sri.Ajay Jain, IAS - Member
3. Sri.Rahul Pandey, IFS - Member
4. Sri.P. Satya Moorthy - Member

**RISK MANAGEMENT COMMITTEE**

The Risk Management Committee of the Board consists of the following Directors:

- | | | | |
|----|-----------------------|---|----------|
| 1. | Sri.Ajay Jain, IAS | - | Chairman |
| 2. | Sri.Rahul Pandey, IFS | - | Member |
| 3. | Sri.P.Satya Moorthy | - | Member |

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS

As per Article No.31 of the Articles of Association of the Company, the Government of Andhra Pradesh has the right to nominate and appoint Managing Director & other Directors of the Company. Non-executive Directors are paid Sitting fee for attending the Board and Committee meetings.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year, the Company has not given any loans or issued guarantees or made investments.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED IN SUB - SECTION (1) OF SECTION 188

The Company has not entered into any transactions with Related Parties in terms of Section.188 of the Companies Act, 2013.

TRANSFER TO RESERVES

During the FY 2014-15, no amount is transferred to Reserves.

DIVIDEND

The Company has not declared any dividend during the year.

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

Conservation of Energy: The Company is not engaged in manufacturing operation.

Technology Absorption: -Nil-

Foreign Exchange Earnings & Outgo: -Nil-

CHARGES

The Company has not availed loans from any Bank / Financial Institutions during the financial year under review.

FIXED DEPOSITS

The Company is a Non Banking Finance Company (NBFC) vide CoR No. 01 - 34911, Date. 12-07-2000. During the financial year 2014-15, the company has not accepted any fixed deposits.

INTERNAL CONTROL :

The Company has a proper and adequate system of internal control to ensure all the assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, regarded and reported correctly.

AUDITORS

M/s SHARMA & SASTRY were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2015-16.



EXPLANATIONS OR COMMENTS BY BOARD OF DIRECTORS ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE IN AUDIT REPORT

There are no qualifications, reservations or adverse remarks made by Auditors in their Audit Report.

COMMENTS FROM C&AG

The Company has forwarded the Audited financial statements to Comptroller & Auditor General for their Supplementary Report (or) Comments as required under Section.143(6) of the Companies Act, 2013. The Supplementary Report (or) Comments from C&AG is awaited. Shareholders of the company will be forwarded the copy of the C&AG report as soon as it is received.

TRANSFER OF UNCLAIMED POWER BONDS PRINCIPAL & INTEREST AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF).

As required under the provisions of Section.205C of the Companies Act, 1956 APPFCL has transferred Unclaimed Bonds amount of Rs. 24,09,173/- to IEPF on 15.05.2014. Details of Unclaimed amounts were uploaded in the IEPF website as per the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012

EXTRACT OF ANNUAL RETURN

As provided under Section 92(3) of the Act, the extract of annual return is given in Annexure in the prescribed Form MGT-9, which forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep appreciation of the continued support received from the Government of Andhra Pradesh, especially the Departments of Energy and Finance and bankers and other agencies, which are instrumental in smooth operations of the Company. Your Directors also wish to thank the employees of the Company for their efficient and dedicated services.

Place : Hyderabad.

Date : 31-12-2015

For and on behalf of the Board

(Dr.P.V.Ramesh, IAS)
Chairman



INDEPENDENT AUDITORS'S REPORT

To
The Members of
Andhra Pradesh Power Finance Corporation Limited,
H Block (North), Ground Floor,
Andhra Pradesh Secretariat,
Hyderabad - 500 022.

Sub : Audit Report for the Financial Year 2014-15

We have audited the accompanying Financial Statements of M/s. Andhra Pradesh Power Finance Corporation Limited, which comprises of the Balance Sheet as on 31st March 2015, the Profit and Loss Account and the Cash Flow Statement for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the Financial Statements.

Management is responsible for the preparation of these Financial Statements that give a true and fair view of the Financial position, Financial performance and Cash Flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 2013 read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that give a True and Fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our Audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An Audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of the Accounting Estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We report that Subsequent to division of Earliest while Andhra Pradesh State and as per the AP State reorganization Act 2014, the entire Assets and Liabilities of the company has been divided between the Two States namely Residue Andhra Pradesh and Telangana. With effect from 2nd June 2014, the entire Assets and Liabilities of the company has been divided as per the GO Ms No. 28 dated 30-5-2014 and GO Ms No. 134 dated 31-5-2014 issued in this regard. The Assets and Liabilities and other transactions related Telangana state has been transferred to Telangana Power Finance Corporation Limited (TPFCL) and the Assets and Liabilities and others transactions related to the residue Andhra Pradesh are retained and continued in the company. Thus the Financial Statements as on 31-3-2015 reflect the transactions that are related to residue Andhra Pradesh Only. However, as the Division of Assets and Liabilities and other related transactions are subsequently disputed by the Telangana State and TPFCL, the respective assets and liabilities and related transactions could not be taken over by TPFCL. However, the Management decided to split the entire assets and liabilities w.e.f from 2nd June 2014 and subsequent related transactions up to year ending 31st March 2015 that are belongs to TPFCL and capture in a separate account namely "Payable/Receivable to TPFCL" . The summary of the said account after duly transfer of respective transactions is furnished below :



In our opinion and to the best of our information and according to the explanations given to us subject to above mentioned, the Financial Statements give the information required by the Act in the manner so required and give a True and Fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet of the State of Affairs of the Company as at March 31st, 2015.
- (b) In the case of the statement of Profit and Loss Account, of the NIL Profit / Loss for the year ended on that date (the total expenditure is met/reimbursed by Government of AP on actual basis and hence the profit & loss account does not reflect any profit/loss) for the year ended on that date.
- (c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies [Auditor's Report] Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (2) As required by Section 143 of the Act, 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 accounts as required by Law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the Books of Account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under this Act read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - (e) On the basis of written representations received from the Directors as on March 31st, , 2015 and taken on record by the Board of Directors, none of the Directors are disqualified as on March 31st , 2015, from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

For **SHARMA & SASTRY**
Chartered Accountants
FRN No. : 003785S

(P. PRASAD)
Partner
M. No. 207196

Place : Secunderabad

Date : 31-12-2015

**ANNEXURE TO THE AUDIT REPORT**

The Annexure referred to in Paragraph 1 of Our Report of even date to the Members of M/s. Andhra Pradesh Power Finance Corporation Limited, on the accounts of the Company for the year ended 31st March , 2015.

(1) In respect of its Fixed Assets :

- (a) The Corporation has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets on the basis of available information and the Corporation has bifurcated the Fixed Assets, consequent upon bifurcation of the Andhra Pradesh State. The Assets have been bifurcated and the respective Account of those Assets is transferred to Memorandum Telangana Power Finance Corporation Ltd and reflected separately.
 - (b) As explained to us the Management has physically verified the Fixed Assets of the Corporation. No discrepancies were noticed on such verification.
- (2) The Corporation does not carry any inventories.
 - (3) The Corporation has not granted or taken any loans, secured or unsecured, from Companies, Firms or other parties listed in the register maintained under Section 189 of the Companies Act, 2013.
 - (4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, with regard to the purchase of equipment's and other assets.
 - (5) The Corporation has not accepted any deposits from the public, barring raising of Bonds from Companies.
 - (6) Maintenance of cost accounts under Section 148 of the Companies Act, 2013 has not been prescribed by the Central Government for this Corporation.
 - (7) In respect of Statutory dues:
 - (a) The Company is generally regular in depositing with the appropriate authorities undisputed Statutory dues. According to the information and explanations given to us, the Company is not depositing Provident Fund and Employees State Insurance dues with the appropriate authorities, due to non-applicability of the respective Acts.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31-03-2015 for a period of more than six Months from the date they became payable.
 - (c) According to the information and explanation given to us, there are no dues of Income Tax, Sales Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
 - (8) In our opinion, there are no carried forward losses, as the year to year Losses / Deficit is reimbursed by the Andhra Pradesh Government, as such the issue of losses more than fifty percent of the net worth is not applicable. Even during the year there is Loss and this Loss will be reimbursed by the State Government.
 - (9) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions, Banks or Debenture Holders.
 - (10) In our opinion, the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.
 - (11) The Company has not taken any term loans.
 - (12) According to the information and explanations given to me, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **SHARMA & SASTRY**
Chartered Accountants
FRN No. : 003785S

(P. PRASAD)
Partner
M. No. 207196

Place : Secunderabad

Date : 31-12-2015

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED, HYDERABAD, FOR THE YEAR ENDED 31st MARCH 2015.**

The preparation of financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31st March 2015, in accordance with the financial reporting framework prescribed under the Companies Act 2013, is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards ON AUDITING prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 31st December, 2015.

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31st March 2015. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling better understanding of the financial statements and the related audit report :

Notes to Accounts (Note-13) :

I(i) On bifurcation of the State of Andhra Pradesh (2nd June 2014), the Company (APPFCL) transferred Bonds liability amounting to Rs. 3509.60 crore to Telangana Power Finance Corporation Limited (TPFCL) as per the Government Orders (G.O.Ms. No. 28 Energy (CC) Department dated 30.05.2014). The TPFCL objected (April 2015) to the liability indicating that the share of TPFCL was Rs. 2456.90 crore only based on population ratio (41.68%). The disputed bond liability amounting Rs. 1052.70 crore has not been disclosed in the Notes. Further the disputed interest amounting to Rs. 141.69 crore paid under protest by the TPFCL on disputed bonds has also not been disclosed.

I(ii) Due to failure in complying the provisions of Income Tax, the Income Tax Department claimed (March 2016) Rs. 55.35 lakh from the Company in the Assessment Order for 2013-14 for Non deduction of TDS on interest on application money paid to various organizations. This has not been disclosed in the notes on accounts.

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

Place : Hyderabad
Date : 10-10-2016

Sd/-

(Lata Mallikarjuna)
Accountant General (E&RSA)

**Comments by Controller & Auditor General of India & Relies of APPFCL**

Sl.No.	Comment by C & AG	Reply by APPFCL
1(i)	<p>On bifurcation of the State of Andhra Pradesh (2nd June 2014), the company (APPFCL) transferred Bonds liability amounting to Rs. 3,509.60 crore to Telangana Power Finance Corporation Limited (TPFCL) as per Government Orders (G.O. Ms.No.28 Energy (CC) Department dated 30.05.2014). The TPFCL objected (April 2015) to the liability indicating that the share of TPFCL was Rs. 2,456.90 crore only based on population ratio (41.68%). The disputed liability amounting to Rs. 1,052.70 crore has not been disclosed in the Notes. Further the disputed interest amounting to Rs. 141.69 crore paid under protest by the TPFCL on disputed bonds has also not been disclosed.</p>	<p>In Note. 13 (2) (11) of the Notes to Accounts it was mentioned that :</p> <p>"However this Reduction in Equity share capital is not approved by the Registrar of Companies, Hyderabad and only on the basis of the GOMS, the Accounts have been prepared based upon the demerger plan and even on this Demerger issue the Telangana State is objecting on some issues as such it has not reached finality till the Audit Date, however the Accounts are prepared in accordance with the Demerger Plan."</p> <p>TPFCL had raised dispute on interest amounting to Rs. 141.69 crores (as paid under protest) vide its letter dated 26-08-2015. As the dispute raised TPFCL, falling under the FY 2015-16, relevant disclosure will be made in the Annual accounts of the FY 2015-16.</p> <p>However in the Directors' Report dated 31-12-2015, a detailed disclosure was made about the TSPFCL objection on payment of interest (under protest) of Rs. 141.69 crores, which is reproduced as below :</p> <p>Consequent to the reorganization of the state of A.P., both successor states have paid the Principal & interest amount on the above basis for 18 times. Later, TSPFCL had raised an objection that the "Demerger Plan" was not prepared in accordance with the provisions of A.P. Reorganization Act, 2014 and the basis of apportionment of APPFCL Bonds is not in accordance with the provisions of Section. 68 read with Section. 53 of the A.P. Reorganization Act, 2014 and requested the MD/APPFCL to reallocate/reapportion the outstanding APPFCL Bonds as per "Population Ratio" i.e. 41.68 (TS) : 58.32 (AP). TPFCL is also claiming that it has already paid an excess amount of Rs. 141.69 crores during the FY 2014-15 and the same amount can be adjusted towards future payments (during FY 2015-16).</p> <p>APPFCL has followed the relevant GOs and entire principal as well as interest is paid to the investors and there is no pendency on part of APPFCL towards the payment of Principal as well as interest</p>
1(ii)	<p>Due to failure in complying the provisions of Income Tax, the Income Tax Department claimed (March 2016) Rs. 55.35 lakh from the Company in the Assessment Order for 2013-14 for Non deduction of TDS on interest on application money paid to various organizations. This has not been disclosed in the notes to accounts.</p>	<p>APPFCL has won a case against the Income Tax department for a demand of Rs. 2.15 crores, which is similar to that of the claim of Rs. 55.35 Lakhs. APPFCL is expecting a favourable order from Income Tax department.</p> <p>The observation of C&AG is noted and necessary disclosure will be made in the next financial year accounts.</p>

**Balance Sheet as at 31st March, 2015**

PARTICULARS	Note	As at 31-3-2015 Rupees	As at 31-3-2014 Rupees
I EQUITY AND LIABILITIES			
1 SHARE HOLDERS' FUNDS :			
(a) Share Capital	1	16,91,40,100	29,00,20,700
2 Non-Current Liabilities :			
(a) Long-term borrowings	2	21,44,39,23,000	56,50,50,00,000
3 Current Liabilities	3	1,42,83,26,314	2,44,41,96,127
TOTAL		2,30,413,89,414	59,23,92,16,827
II ASSETS :			
1 Non-Current Assets :			
(a) Fixed Assets			
(i) Tangible Assets	4	1,09,522	1,50,499
(b) Long Term loans and advances	5	22,86,30,00,000	56,50,50,00,000
2. Current Assets			
(a) Cash and cash equivalents	6	2,08,50,556	2,02,03,291
(b) Other Current Assets	7	15,74,29,336	2,71,38,63,037
TOTAL		23,04,13,89,414	59,23,92,16,827
Notes on Accounts	13		

As per Audit Report of even date

For **SHARMA & SASTRY**
Chartered Accountants
FRN No. 003785S

P. Prasad
Partner
M. No. 207196

For **ANDHRA PRADESH POWER FINANCE
CORPORATION LTD**

RAHUL PANDEY, IFS
Managing Director

K. VIJAYANAND, IAS
Director

Place : Secunderabad

Date : 31-12-2015

**Statement of Profit and Loss Account for the year ended 31-3-2015**

PARTICULARS	Note No	Figures as at the end of current reporting period 31-03-2015	Figures as at the end of previous reporting period 31-03-2014
I Revenue from operations	8	222,40,25,195	552,94,35,513
II Other Income	9	1,80,4372	18,07,402
III Total Revenue (I+II)		222,58,29,567	53,12,42,915
IV Expenses :			
Employee benefit expense	10	54,480	15,46,122
Financial costs	11	222,23,98,522	552,41,34,577
Depreciation and amortization expense	4	38,445	30,235
Operating, administration and other expenses	12	33,38,120	55,31,981
Total Expenses		222,58,29,567	553,12,42,915
V Profit before exceptional and extraordinary items and tax		-	-
VI Exceptional Items		-	-
VII Profit before extraordinary items and tax		-	-
VIII Extraordinary Items		-	-
IX Profit before tax		-	-
X Tax expense :			
(1) Current Tax		-	-
(2) Deferred tax		-	-
XI Profit/(Loss) from the period from continuing operations		-	-
XII Profit / (Loss) from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit / (Loss) from the Discontinuing operations		-	-
XV Profit / (Loss) for the period		-	-
XVI Earning per equity share :			
(1) Basic		-	-
(2) Diluted		-	-

As per Audit Report of even date

For **SHARMA & SASTRY**
Chartered Accountants
FRN No. 003785S

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

P. Prasad
Partner
M. No. 207196

RAHUL PANDEY, IFS
Managing Director

K. VIJAYANAND, IAS
Director

Place : Secunderabad

Date : 31-12-2015



Notes on Balance Sheet and Profit & Loss A/c

PARTICULARS	As at 31-3-2015 Rupees	As at 31-3-2014 Rupees
NOTE - 1 :		
Note (i) :		
SHARE CAPITAL :		
AUTHORISED SHARE CAPITAL:		
--30,00,00,000 Equity Shares of Rs.100 each (30,00,00,000 Equity Shares of Rs.100 each)	3000,00,00,000	3000,00,00,000
ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL		
--29,00,207 Equity Shares of Rs.100/- each fully paid up (29,00,207 Equity Shares of Rs.100/- each fully paid up)	29,00,20,700	29,00,20,700
Less - 12,08,806 Shares Transferred to TPFCL on Bifurgation	12,08,80,600	
	16,91,40,100	29,00,20,700
Note (ii) :		
Number of shares which are more than 5% of paid up Share Capital-details Governor of Andhra Pradesh, represented by the MD of the Company. There is a restriction on transferability of shares.	16,91,40,100	29,00,200 (99.99%)
Note (iii) :		
Reconciliation of number of shares outstanding at the beginning and end of the year		
Shares issued & subscribed as on 01-04-2014 (2900207 Equity Shares of Rs.100/- each fully paid up)	29,00,207	29,00,207
Add: Issued during the year	-	-
Less: Shares Transferred to TPFCL on Bifurgation	12,08,806	-
Shares issued & subscribed as on 31-03-2015 (1691401 Equity Shares of Rs.100/- each fully paid up)	16,91,401	29,00,207
Note (iv) :		
a) There are no shares issued in last five years as fully paid up pursuant to contracts without payment being received in cash.		
b) There are no shares issued in last five years as fully paid up by way of bonus shares.		
c) There are no shares bought back in last five years.		
d) There are no calls unpaid.		
e) There are no forfeited shares		
NOTE - 2 :		
NON-CURRENT LIABILITIES :		
A) Long Term Liabilities (Unsecured) :		
1) Bonds		
1/2004 Bonds Issue 15th Series	-	-
1/2005 Bonds Issue 16th Series	99,82,71,200	5,97,20,00,000
1/2010 Bonds Issue 17th Series	426,16,51,800	1053,30,00,000
1/2011 Bonds Issue 18th Series	62,38,93,200	154,20,00,000
2/2011 Bonds Issue 19th Series	301,06,28,600	744,10,00,000
1/2012 Bonds Issue 20th Series	127,08,48,600	314,10,00,000
2/2012 Bonds Issue 21th Series	404,60,00,000	1000,00,00,000
3/2012 Bonds Issue 22th Series	723,26,29,600	1787,60,00,000
2) Cumulative Bonds		
2/2000 Bond issue 2nd Series	-	-
1/2001 Bond issue 3rd Series	-	-
	2144,39,23,000	5650,50,00,000



Notes on Balance Sheet and Profit & Loss A/c

PARTICULARS	As at 31-3-2015 Rupees	As at 31-3-2014 Rupees
NOTE - 3 :		
CURRENT LIABILITIES :		
(i) Expenses payable :		
Accounting Charges Payable	-	8,189
Depreciation Reserve	-	
Statutory Audit Fee Payable	76,770	1,52,613
Bond Servicing Exp's Payable	-	-
Company Secretary Charges Payable	-	6,750
Consultancy Charges Payable	-	33,491
Internal Audit Fee Payable	24,566	23,543
Deputation Allowance payable	-	2,700
Folio maintaince charges payable	-	73,821
M.D. Remuneration Payable	-	13,280
Salaries Payable	-	13,34,340
Income tax consultancy payable	13,707	23,633
TDS Payable	1,84,875	2,06,241
IT Payable AY 2009-10	-	92,919
Telephone and Internet Expenses Payable	-	3,851
Trustee Fee Payable	16,18,285	11,87,708
Tax Audit fees	5,118	5,118
Vehicle Hire Charges Payable	-	27,930
Sundry Creditors		
Karvy Computer Shares Pvt Ltd	78,583	-
Sagar & Associates	89,054	-
Payable/Receivable from TS Govt.	78,46,269	-
Interest on Fixed Deposit Payable	3,47,405	-
Provision for Investor Protection Fund	41,682	-
Total (i) :	1,03,26,314	31,96,127
(ii) Other Current Liabilities :		
CURRENT MATURITIES OF UNSECURED LOANS :		
A) Current Maturities of Bonds :		
a) Non-Cumulative Bonds :		
2/2001 Bond issue 4th Series	-	-
3/2001 Bond issue 5th Series	-	-
4/2001 Bond Issue 6th Series	-	-
5/2001 Bond Issue 7th Series	-	-
1/2002 Bonds Issue 8th Series	-	-
2/2002 Bonds Issue 9th Series	-	-
1/2004 Bonds Issue 15th Series	-	244,10,00,000
1/2005 Bonds Issued	141,80,00,000	-
Total Cumulative Bonds maturity in next 12 months -Total (a)	141,80,00,000	244,10,00,000
b) Cumulative Bonds :		
2/2000 Bond issue 2nd Series	-	-
1/2001 Bond issue 3rd Series	-	-
Total Non-Cumulative Bonds maturing in next 12 months -Total (b)	-	-
Current maturities of Bonds : Total (A) (a+b)	141,80,00,000	244,10,00,000
Total Current Maturities of Unsecured Loans [Total (ii)] (A+B)	141,80,00,000	244,10,00,000
TOTAL CURRENT LIABILITIES : [Total (i) + Total (ii)]	142,83,26,314	244,41,96,127

**Notes on Balance Sheet and Profit & Loss A/c**

PARTICULARS	As at 31-3-2015 Rupees	As at 31-3-2014 Rupees
NOTE - 5		
NON - CURRENT ASSETS :		
Receivables - Long Term Loans and Advances :		
Loans to DISCOMs - AP Government	-	597,20,00,000
Loans to AP DISCOM's Pool Account	2286,30,00,000	5053,30,00,000
Total Long Term Loans and Advances	2286,00,00,000	5650,50,00,000
(Notes : Refer to Note No.7 in Notes to Accounts)		
TOTAL	2286,30,00,000	5650,50,00,000
NOTE - 6		
Cash & Cash Equivalents		
Balances with Scheduled Bank		
- In Current Account with SBH	8,48,788	2,03,160
- In Deposits Account with SBH	2,00,00,000	2,00,00,000
	2,08,48,788	2,02,03,160
Cash on Hand	1,768	131
TOTAL	2,08,50,556	2,02,03,291
NOTE - 7		
Other Current Assets :		
Loans to DISCOMs - AP Govt. Current Maturities of Bonds repayable	-	2,441,000,000
Other Receivables from AP Government	15,65,41,119	27,19,39,429
TDS receivable	8,75,446	12,78,517
Karvy Computer Shares Pvt Ltd	-	(37,68,07)
Interest Receivable from fixed deposit	12,771	21,898
Deposits	-	-
TOTAL	15,74,29,336	2,71,38,63,037
NOTE - 8		
REVENUE FROM OPERATIONS - Receipts from Government :		
- for Payment of Interest on Bonds	222,24,00,072	550,17,79,840
- for Payment of Interest on Term Loan	-	2,23,65,477
- Interest on Bonds Application Money	-	-
- Bonds Arrangership Fee	-	-
- Stamp Duty	-	-
- Reimbursement of other expenses incurred	15,39,308	51,34,356
- Interest excess paid previous year, now received	85,815	1,55,680
- Misc Income	-	160
	222,40,25,195	552,94,35,513
NOTE - 9		
Interest on Fixed Deposit with SBH	18,04,372	18,07,402
	18,04,372	18,07,402
NOTE -10		
EMPLOYEE BENEFIT EXPENSES		
Salaries	54,480	13,34,340
Deputation Allowances	-	36,000
MD Remuneration	-	1,75,782
	54,480	15,46,122
NOTE - 11		
FINANCIAL COST		
Interest on Bonds(Reimbursed by Government of AP)	222,23,98,522	550,17,69,100
Interest on Term Loan(Reimbursed by Government of AP)	-	2,23,65,477
Interest on Application Money(Reimbursed by Government of AP)	-	-
TOTAL	222,23,98,522	552,41,34,577



Notes on Balance Sheet and Profit & Loss A/c

PARTICULARS	As at 31-3-2015 Rupees	As at 31-3-2014 Rupees
NOTE - 12		
Operating, Administration and Other Expenses		
Bonds Arrangership Fee	-	-
Stamp Duty on Bonds issued	-	-
Trustee Fees to SBH	17,96,527	30,80,122
NSE Listing Fee	2,61,917	4,49,103
Bond Servicing Exp.	5,256	56,113
ROC Filing Fee	20,400	3,000
E-tds Filing Fee	23,404	10,561
Custodial Service Fee Paid to CDSL & NSDL	1,07,959	1,06,845
Consultant & Professional charges	2,46,859	6,21,915
Directors' Sitting Fee	30,000	19,000
Advertisement Expenses	-	-
Printing & Stationary	40,217	38,369
Interest on TDS late payment	1,219	19,770
Postage & Telegrams	1,583	4,235
Vehicle Hire Charges	3,13,500	3,51,500
Traveling Expenses	-	-
Telephone charges and Internet Expenses	35,454	1,04,443
Folio maintaince charges	49,206	2,76,809
NSDL Data creation Exp	-	-
Computer Maintenance	3,050	4,590
Office Maintenance	71,493	79,425
Incentives	-	30,000
Registrar's Fees	-	48,090
Balances Writtenoff	(5,615)	-
Survelience Fee	-	1,12,360
Accounting Charges	1,12,361	-
Bank Charges	300	-
Company Secretary Charges	97,500	-
Misc. Expenses	1,500	-
Web Site Maintenance	7,175	-
AUDITORS REMUNERATION :		
- For Statutory Auditors	84,270	84,270
- For Internal Auditors	26,967	25,843
- For Tax Auditors	5,618	5,618
	33,38,120	55,31,981

**NOTE - 4****Note on Fixed Assets as at 31st March, 2015**

(Amount in Rupees)

Sl. No.	Description	Gross Block				Depreciation				Net Block		
		As at 1-4-2014	Rate of Dep. %	Additions during the year	Deletions during the year (TS Portion)	As At 31-03-15	As at 1-4-2014	Adj. during the year	for the year	As at 31-3-15	As at 31-3-15	As at 31-3-14
1	Office Equipments	2,10,817	19.00%	15,500	87,868	1,38,449	1,16,092	48,759	24,861	92,194	46,255	94,725
2	Computer Systems	1,75,909	31.67%	43,650	73,319	1,46,240	1,75,908	73,793	7,045	1,09,106	37,080	1
3	Furniture & Fixtures	1,18,032	9.50%		49,195	68,837	62,258	26,149	6,540	42,650	26,187	55,773
	Totals	5,04,758		59,150	2,10,382	3,53,526	3,54,259	1,48,700	38,445	2,44,004	1,09,522	1,50,499
	Previous Year	469,958		34,800		5,04,758	3,24,024		30,235	3,54,259	1,50,499	1,45,934

As per Audit Report of even date

For **SHARMA & SASTRY**
Chartered Accountants
FRN No. 003785S

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

P. Prasad
Partner
M. No. 207196

RAHUL PANDEY, IFS
Managing Director

K. VIJAYANAND, IAS
Director

Place : Secunderabad

Date : 31-12-2015

**Note No. 13****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS :**

Andhra Pradesh Power Finance Corporation Limited (APPFCL) was incorporated, pursuant to the Andhra Pradesh GO (Government Order) Ms No. 54, dated 19-05-2000 as a Government Company under the Companies Act 1956, on 12th July, 2000 and had commenced its business on 13th July, 2000 and also obtained the Certificate of Registration from the Reserve Bank of India as a Non-Banking Financial Institution under the Reserve Bank of India Act 1934, vide letter No. DNBS(H) No. 714/04.039/2000-2001, dated August 25th 2000. The main object of the Company includes providing Long Term Finance to the Enterprises wholly engaged in the business of developing, maintaining and operating of Power and relating thereto including but not limited to generation, transmission, distribution facility Viz - GENCO, TRANSCO, DISCOMS.

Presentation and Disclosures in Financial Statements :**(1) Significant Accounting Policies :****a. Basis of Accounting :**

- (i) The Financial Statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the Provisions of the Companies Act, 1956.
- (ii) The Company generally follows the mercantile system of Accounting and recognizes significant items of income and expenditure on accrual basis, except the accrued interest on bonds / loans to the Government which is accounted for on payment / receipt basis.
- (iii) Subsequent to division of Erstwhile Andhra Pradesh State and as per the AP State reorganization Act 2014, the entire Assets and Liabilities of the company has been divided between the Two States namely Residue Andhra Pradesh and Telangana. With effect from 2nd June 2014, the entire Assets and Liabilities of the company has been divided as per the GO Ms No. 28 dated 30-5-2014 and GO Ms No. 134 dated 31-5-2014 issued in this regard. The Assets and Liabilities and other transactions related Telangana state have been transferred to Telangana Power Finance Corporation Limited (TPFCL) and the Assets and Liabilities and others transactions related to the residue Andhra Pradesh are retained and continued in the company. Thus the Financial Statements as on 31-3-2015 reflect the transactions that are related to residue Andhra Pradesh Only.

b. Revenue Recognition :

- (i) The Company recognizes interest income on the loans to DISCOMS - AP Government and Loans to DISCOMS' Pool Account, out of the various series of bonds issued by the company on receipt basis and the same is shown as interest income in the Statement of Profit & Loss.
- (ii) The company accounts for the interest expenditure on various series of Bonds, Term Loan and other operating expenses, which is reimbursed by the Government of AP, on actual basis and the same is taken as expenditure in the Statement of Profit & Loss.
- (iii) The operations of the company are being conducted in such a manner that the total expenditure incurred by the company viz., interest on bonds, loan and other operational expenses is being met/ reimbursed by the Government of Andhra Pradesh and Telangana on actual basis and hence it does not result in any Profit /Loss and accordingly the Statement of Profit & Loss Account does not depict/result in any profit or loss out of the operations of the company.

c. Fixed Assets :

Fixed Assets are stated at historical cost and as reduced by accumulated depreciation. All costs including financing costs, up to the date of commissioning and attributable to the fixed assets are capitalized.

On bifurcation of the Andhra Pradesh State, in accordance to GOMs No:- 28 dated 30-05-2014 and 134 dated : 31-05-2015 the Fixed Assets belonging to Telangana State have been transferred to Telangana Power Finance Corporation Limited. On the basis of book value, the Fixed assets are transferred to Telangana Power Finance Corporation Ltd.

**d. Depreciation :**

Depreciation on Fixed Assets is provided on straight-line basis at the rates prescribed in Schedule II of the Companies Act, 2013. The Company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

2. Notes and Accounts**1. Division of Assets and Liabilities and subsequent transfer of the related transaction to TPFCL:**

As per the GO Ms No. 28 dated 30-5-2014 and GO Ms No. 134 dated 31-5-2014 issued by Govt. of erstwhile Andhra Pradesh and the procedure set therein, all Assets and Liabilities as on 1st June 2014 and subsequent transactions have been duly divided and transferred to Telangana Power Finance Corporation Limited (TPFCL) to the extent they belong to Telangana State and balance Assets and Liabilities and others transactions which belong to the residue Andhra Pradesh are continued in the books of account of the company.

However, as the Division of Assets and Liabilities and other related transactions are subsequently disputed by the Telangana State and TPFCL, the respective assets and liabilities and related transactions could not be taken over by TPFCL.

However, the Company decided to split the entire assets and liabilities w.e.f from 2nd June 2014 and subsequent related transactions up to year ending 31st March 2015 that belong to TPFCL and capture in a separate account namely "Payable/Receivable to TPFCL". The summary of the said account after duly transfer of respective transactions is furnished below :

Memorandum Account of Telangana Power Finance Corporation Ltd

Particulars	Debit	Credit
Share Capital		12,08,80,600
Share Application Money		2,55,57,000
AP Bond 1/2005 Series		355,57,28,800
AP Bonds 1/2010 Series		627,13,48,200
AP Bonds 1/2011 Series		91,81,06,800
AP Bonds 1/2012 Series		187,01,51,400
AP Bonds 2/2011 Series		443,03,71,400
AP Bonds 2/2012		595,40,00,000
AP Bonds 3/2012		1064,33,70,400
Depreciation Reserve		1,48,700
Fixed Deposit Payable		84,00,000
Interest on Fixed Deposit Payable		3,47,405
Cell Phones	29,551	
Office Equipment	58,317	
Computer	73,319	
Furniture & Fixtures	49,195	
Fixed Deposits	84,00,000	
Loans to TS Govt..	3364,20,00,000	
TDS	6,18,225	
Expenditure Receivable	16,89,412	
Interest on FDR Receivable	9,127	
Receivable From TS Govt	11,17,86,965	
Incorporation Expenses	2,55,02,920	
Govt. Receipts Interest on Bonds		327,02,84,817
Interest on Bonds	327,02,84,817	
Total	3706,05,01,848	3706,86,95,522
Closing Balance Payable to TPFCL		81,93,674



Thus the amounts shown in the Financial Statements of the company as on 31st March 2015 are excluding the above transactions, which belong to TPFCL.

Thus all the figures shown in the current year Financial Statements are regrouped and rearranged where ever is necessary.

2. UNSECURED BONDS / TERM LOAN: Rs. 2286.30crores [Last Year Rs. 5894.60 Crores].

- (i) The Company has raised funds through private placement of "APPFCL BONDS" in the earlier years under the various series, but during the current year funds were not raised by the Company. The common features of the various series of Bonds are as under.
- (ii) The Bonds carry with them an unconditional and irrevocable guarantee, for the due repayment, both interest and principle by the Government of AP.
- (iii) The redemption of the Bonds/repayment to the Bond holders is governed by a "STRUCTURED MECHANISM", through a Tripartite Agreement among the Company, Government of Andhra Pradesh and State Bank of Hyderabad - Trustees to the Bondholders, which assures budgetary support, from the Government of Andhra Pradesh for servicing the bonds. The payment of interest on outstanding bonds and repayment of principle amount of bonds are met /paid by the Company by way of transfer of funds into designated No-Lien Account out of the monies transferred by the Government of Andhra Pradesh to the Company pursuant to the obligations undertaken by it under the said Tripartite Agreement.
- (iv) (A) Outstanding of APPFCL Bonds at the end of the year under different series and the Term loan from Bank are as follows :

Sl. No.	APPFCL Bond Series	Amount Outstanding [Rs in Crores] As on 31-03-2015	Amount Outstanding [Rs in Crores] As on 31-03-2014 (AP & TS)	Coupon Rate (%) p.a.	Interest Payable	Tenure in Years	Put/Call Option due at the end of
1	1/2005	141.80 99.30	351.40 245.80	8.15	Annual	15	12th Year
2	1/2010	17.00 410.00	42.00 1,011.30	8.49 8.74	Semi-Annual	10 12	7th Year 10th year
3	1/2011	2.10 60.00	5.00 149.20	9.10 9.60	Semi Annual	10 12	7th year 10th year
4	2/2011	63.60 237.50	157.20 586.90	9.85 9.97	Semi Annual	10 12	7th year 10th year
5	1/2012	26.30 100.80	64.70 249.40	9.50 9.64	Semi Annual	10 12	7th Year 10th Year
6	2/2012	404.60	1000	9.75	Semi Annual	10	7th year
7	3/2012	723.30	1,787.60	9.75	Semi annual	10	7th year
	TOTAL	2,286.30	5,894.60				



(B) The Bonds outstanding as at 31-03-2015, includes the following two series of bonds, which were issued to the creditors of APDISCOMs, for consideration other than cash as follows in discharge of the liabilities of the parties to the Bond Holders and no such bonds were issued during the current financial year, as such the figure is reported as 'NIL'.

3. The Government Receipts: The Govt. receipts in the form of Interest for the payment of interest on bonds of Rs. 222.24 Crores excluding TPFCL share [Previous year:- Rs. 550.18 crore]. Interest on Term loan Rs Nil [Previous year: Rs. 2.24 crore], Interest on Bonds Application Money Rs. Nil (Previous Year: Rs. 0.00 Crore), Arrangers' Fee Rs. Nil [Previous Year : Rs. 0.00 Crore] and Stamp Duty Rs. Nil [Previous Year: Rs. 0.00 Crore] and Reimbursement of expenses incurred by the Company on behalf of the Government Rs. 0.16 Crore [Previous Year: Rs. 0.53 crore] have been depicted separately both under 'Revenue from Operations' and 'Expenses' in the Statement of Profit & Loss, which is met/reimbursed by the Government of AP to the company on actual basis.
4. Interest accrued but not due on regular interest bonds amounting to Rs. 19.37 crores (Previous year Rs. 47.88 Crores) has not been provided in the Books of Accounts due to the following reasons:
 - a) The tax cannot be deducted at source as required under Chapter XVII of the Income Tax Act, 1961, as the bonds are tradable in nature and the ultimate beneficiary cannot be ascertained at the end of the year till the actual payment is made.
 - b) The tax due payable by a bondholder cannot be deducted at source as the quantum of interest cannot be determined at the end of the year till the actual payment is made.
 - c) The actual interest expenditure to the company in this regard gets reimbursed by the Government of Andhra Pradesh.
5. Balances as at 31-03-2015 in Trust & Retention Accounts (No-Lien Current Accounts) with the State Bank of Hyderabad representing funds transferred pursuant to the Tripartite Agreement for servicing of the bonds is Rs.139.04 crores [Previous year:- Rs. 139.88 Crores] against which cheques have already been dispatched to the Bond Holders, is not reflected in the Balance Sheet as at 31-03-2015, as the funds have been transferred to the said No-Lien Accounts, specifically for the bonds which already got matured and became due for payment.
6. Loans to DISCOMS - AP Government and Loans to DISCOMs' Pool Account:

The funds mobilized up to 31-03-2015 from the Bonds amounting to Rs.2286.30 Crores [Rs. 5,894.60 crores as at 31-03-2014] have been deployed by way of 'Loan to DISCOMs - Govt. of A.P.' & DISCOMs Pool Account as under :
(Rs. in Crore)

Particulars	As on 31-03-2015	As on 31-03-2014
Non-Current Assets :		
- Loan to DISCOMs - Govt. of AP		597.20
	0.00	
- Loan to AP DISCOMs	2,286.30	5,053.30
Current Assets :	0.00	
Other Current Assets	0.00	
- Loan to Government of AP	0.00	244.10
Total	2,286.30	5,894.60

7. All receivables including the receivables from the DISCOMs - AP Government and DISCOM's Pool Account are subject to confirmation and reconciliation from the respective parties.
8. Managerial Remuneration :



Particulars	Managing Director	
	2014-15 Rs.	2013-14 Rs.
Salaries , Allowances	NIL	NIL
Contribution to Provident Fund and Welfare Fund	NIL	NIL
Others - Additional Charge allowance to Managing Director	NIL	1,75,782/-
Total	NIL	1,75,782/-

9. (a) Contingent Liabilities: As detailed in the above Point No.1 of the Notes on Accounts, the Assets and Liabilities and subsequent Revenue transaction have been divided between the Company and TPFCL and captured in separate account. As the Telangana State and TPFCL continue to dispute on the Demerger Plan and to the extent the same likely to get agreed and the respective assets and liabilities and related Revenue transactions are taken over by the TPFCL, there is a Contingent Liability exist. Previous year - NIL-]
- (b) Estimated amount of contracts remaining to be executed on capital account and not provided i.e., -NIL- [Previous year -NIL-]
10. During the year, to the extent information provided by the suppliers, the company has not entered into any transactions either with Small Scale Industries or any other enterprises which come under the purview of Micro, Small and Medium Enterprises Development Act, 2006.

11. (1) Note on Reduction in Equity Share capital:-

The Equity share capital of Rs. 29,00,20,700/- as in Last year, has been reduced to Rs. 16,82,12,000/- comprising of Equity shares of Rs. 100/- each, consequent to Demerger of the Andhra Pradesh State and on incorporation of TPFCL on 02/06/2014, the reduction in Equity share capital has resulted by virtue of GOMS No. 28 Dated:- 30-05-2014 and GOMS No. 134 dated :- 31-05-2014, and in accordance to these GOMS there is reduction in Subscribed Equity Share Capital of APPFCL, as mentioned above.

However this Reduction in Equity share capital is not approved by the Registrar of Companies, Hyderabad and only on the basis of the GOMS, the Accounts have been prepared based upon the demerger plan and even on this Demerger issue the Telangana State is objecting on some issues, as such it has not reached finality till the Audit Date , however the Accounts are prepared in accordance with the Demerger Plan.

The Revenue and capital portions of TPFCL have been transferred to Memorandum Account of Telangana State Power Finance Corporation Ltd and the final balance payable of Rs. 78,46,297/- to TPFCL is reflected in APPFCL Balance Sheet under the Head Sundry Creditors and Sub-Head Payable / receivable from TS Govt .

As such the Accounting entries pertaining to TPFCL are treated separately in the Accounts of APPFCL.

(2) Reduction in the Assets of the Corporation:-

In accordance to the GOMS No. 28 Dated:- 30/05/2014 and GOMS No. 134 dated:- 31/05/2014, the Assets have been transferred to TPFCL and the Assets which are reduced / transferred to TPFCL are tabulated hereunder:-



S.No.	Description of the Assets	Amount transferred to TPFCL [Rs in Crores]	Ratio of sharing [%]
1	Bonds	3364.307	59.54% (Power Utilisation Ratio)
2	Loans given to DISCOMS	3364.200	59.54% (Power Utilisation Ratio)
3	Fixed Assets	0.0049195	41.68% (Population Ratio)
4	Amounts receivable from Govt	11.1786	41.68% (Population Ratio)

The reduction in capital from Rs. 29 Crores to 16.82 Crores is co-related to the reduction in the above referred Assets, which are done in accordance with the GOMS No. 28 Dated:- 30/05/2014 and GOMS No. 134 dated:- 31/05/2014 which is approved by the Steering Committee.

However there is no finality reached with respect to the distribution, as TPFCL is disputing on certain issues of distribution of the Assets, however Book entries incorporating the decision of the Steering Committee and GOMS are adhered to by the Corporation.

- (3) An amount of Rs. 41,682/- which pertains to the Interest on Bonds, which was claimed by an Investor in the earlier years and paid to the investor and on reconciling the amount that the interest is already received by the Investor, the concerned investor has paid back the Interest amount received by him twice and this amount received from Investor Company towards the Unclaimed Interest on the Bonds, is reflected under the Head Sundry Creditors in the Balance Sheet as unpaid interest amount.

For **SHARMA & SASTRY**
Chartered Accountants
FRN No. 003785S

P. Prasad
Partner
M. No. 207196

For **ANDHRA PRADESH POWER FINANCE
CORPORATION LTD**

RAHUL PANDEY, IFS
Managing Director

K. VIJAYANAND, IAS
Director

Place : Secunderabad

Date : 31-12-2015

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2015**

PARTICULARS	For the year ended 31-03-2015 Rupees	For the year ended 31-03-2014 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES :		
Net Profit before Tax and Extraordinary Items	-	-
Adjustments for :		
Depreciation & Assets written off	38,445	30,235
Interest Income	(18,04,372)	(18,07,402)
Operating Profit Before Working Capital Changes	(17,65,927)	(17,77,167)
Adjustments for changes in working capital :		
Increase / (decrease) in current maturities of Non-Cumulative Bonds	(102,30,00,000)	(244,10,00,000)
Increase / (decrease) in current maturities of Cumulative Bonds	-	-
Increase / (decrease) in Loan to DISCOM AP Govt. Current Maturities of Bonds	244,10,00,000	210,10,00,000
Increase / (decrease) in Other Receivables from AP Government	11,53,98,310	25,08,977
Increase / (decrease) in Unsecured Loan from Bank (Current Maturities)	-	34,00,00,000
Increase / (decrease) in Other Current Assets	35,391	1,96,011
Increase / (decrease) in Trade Payables and Others Liabilities	71,30,187	(26,29,928)
Increase/(Decrease) in Net Current Assets	154,05,63,888	75,060
Net Cash From Operating Activities (A)	153,87,97,961	(17,02,107)
B. CASH FLOWS FROM INVESTING ACTIVITIES :		
Increase / (decrease) in Net Fixed Assets	2,532	(34,800)
Interest Received	18,04,372	18,07,402
Net Cash Used In Investing Activities (B)	18,06,904	17,72,602
C. CASH FLOWS FROM FINANCING ACTIVITIES :		
Increase / (decrease) in Bonds outstanding (Non-Current)	(3506,10,77,000)	(244,10,00,000)
Increase / (decrease) in Bank Term Loan	-	-
Increase / (decrease) in Loans Term Loans and Advances (Non-Current)	3364,20,00,000	244,10,00,000
Incr. (Decr.) In Share Capital	(12,08,80,600)	-
Net Cash used in financing Activities (C)	(153,99,57,600)	-
Net Increase in Cash and Cash Equivalents (A+B+C)	6,47,265	70,495
Add : Cash and Cash Equivalents at the beginning of the year	2,02,03,291	2,01,32,796
Cash and Cash Equivalents at the end of the year	2,08,50,556	2,02,03,291
Reconciliation of cash and cash equivalents :		
Cash in Hand :	1,768	131
Cash at Bank		
in Current Account	8,48,788	2,03,160
in Deposit Account	2,00,00,000	2,00,00,000
Total Cash and Cash Equivalents at the end of the year :	2,08,50,556	2,02,03,291

As per our report of even date

For **SHARMA & SASTRY**
Chartered Accountants**P. Prasad**
Partner
M. No. 207196Place : Secunderabad
Date : 31-12-2015For **ANDHRA PRADESH POWER FINANCE**
CORPORATION LTD**RAHUL PANDEY, IFS**
Managing Director**K. VIJAYANAND, IAS**
Director