



Annual Report for 2004-2005

**ANDHRA PRADESH POWER FINANCE
CORPORATION LIMITED**



BOARD OF DIRECTORS' REPORT

To

The Members

- 1. Sri P. Ramakrishna Reddy, I.A.S.
- 2. Smt. Rachel Chatterjee, I.A.S.
- 3. Sri Ajay Jain, I.A.S.
- 4. Sri S.V. Prasad, I.A.S.
- 5. Sri A.K. Goyal, I.A.S.
- 6. Sri A. Gidder, I.A.S.
- 7. Sri B. Parthasarathi
- 8. Sri B. S. Bharata Kumar, I.F.S. (Up to 13.03.2005)
- 9. Sri K. Dhananjay, I.A.S. (From 13.03.2005)

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The Company has issued Power Bonds in the nature of non-convertible and redeemable bonds during the year under review. An amount of Rs. 11827 Crores were made available to the Government for financing the requirements of power sector reforms and the certificate advanced on 31st March 2005 were Rs. 7158.86 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs. 775.49 Crores and the same was transferred to the Government for reimbursement.

POWER BONDS

The amount of Power Bonds outstanding as at 31st March, 2005 was Rs. 1551.45 Crores and the servicing of the same is regular and up to date.

BOARD OF DIRECTORS

- | | |
|--|-------------------|
| 1. Sri P Ramakantha Reddy I.A.S | Chairman |
| 2. Smt. Rachel Chatterjee, I.A.S. | Director |
| 3. Sri Ajay Jain I.A.S | Director |
| 4. Sri S V Prasad I.A.S (Upto 09.01.2006) | Director |
| 5. Sri A K Goyal I.A.S (From 09.01.2006) | Director |
| 6. Sri A Giridhar I.A.S | Director |
| 7. Sri G Parthasarathi | Director |
| 8. Sri B Siddhartha Kumar, I.F.S (Upto 13.03.2006) | Managing Director |
| 9. Sri K Devanand I.A.S (From 13.03.2006) | Managing Director |

AUDITORS**M/s ANKIT & CO.**

Chartered Accountants

4-3-338, Bank Street,

Sultan Bazar, Hyderabad - 500 095.

BANKERS**State Bank of Hyderabad**

Gunfoundry Branch, Abids,

Hyderabad - 500 001.

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Fifth Annual Report on the operations of the Company together with the Audited statement of Accounts for the year ended **31st March 2005**.

POWER SECTOR REFORMS

A far-reaching development in the power sector was the Electricity Act, 2003, Which replaced all existing laws in the power sector. The legislation came into force in June, 2003 after deliberations for several years. An important feature of this legislation is that generation, transmission and distribution can no longer be handled by one agency. Power generation, except hydro power, has been de-licensed. The year that went by saw the Central Government coming out with National Electricity Policy and Tariff Policy as a follow to the Electricity Act.

A major problem that affects the pace of power sector reform is the perception that restructuring is prelude to privatization. This is not justified going by the examples of several States including Andhra Pradesh and Karnataka. Now, almost all States have their Electricity Regulatory Commissions in place and many States have unbundled their power utilities. Most of the States have signed Memorandum of Understanding with the Union Power Ministry for undertaking distribution reforms in a time-bound manner and implementing the Accelerated Power Development and Reforms Programme (A P D R P). One of the basic features of the A P D R P is to improve the financial viability of State power utilities.

The success of the institutions set up exclusively for financing power sector both at national level like Power Finance Corporation Limited and at State level like Andhra Pradesh Power Finance Corporation Limited in mobilizing the resources required would greatly depend on our tryst with power sector reforms.

OPERATIONS

In furtherance of its avowed objective of raising and providing finance for restructuring and strengthening the power sector in the State of Andhra Pradesh, the Company raised funds to the tune of Rs. 1116.20 Crores by issue of Power Bonds in the nature of non-convertible and redeemable bonds during the year under review. An amount of Rs. 1116.20 Crores were made available to the Government for financing the requirements of power sector reforms and the cumulative advances as at 31st March 2005 were Rs. 7623.86 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs. 775.89 Crores and the same was transferred to the Government for reimbursement.

POWER BONDS

The amount of Power Bonds outstanding as at 31st March , 2005 was Rs. 7659.46 Crores and the servicing of the same is regular and up to date.

DIRECTORS

The Government of Andhra Pradesh, in exercise of the powers conferred on it by Article 31 (i) (a) of the Articles of Association of the Company, appointed Sri A K Goyal, IAS, Special Chief Secretary to Government, Energy Department in place of Sri S V Prasad, IAS and Sri K Devanand, IAS, Joint Secretary to Government, Energy Department has been appointed as Managing Director of the Company in place of Sri B Siddhartha Kumar, IFS. The Board placed on record its warm appreciation of the valuable contribution made by Sri S V Prasad, IAS and Sri B Siddhartha Kumar, IFS during their tenure as Directors of the Company.

AUDITORS

M/s Ankit & Co, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2004-05.

AUDIT OBSERVATIONS

The Comments of the Comptroller & Auditor General of India will be circulated to the members and laid at the ensuing reconvened Annual General Meeting for adoption of Annual Accounts for the year 2004-05.

AUDIT COMMITTEE

The Audit committee had been reconstituted on 9th January, 2006 with Sri A K Goyal, IAS and Sri B Siddhartha Kumar, IFS as Members and Sri P Ramakanth Reddy, IAS as Chairman of the Committee. The Audit committee has been reconstituted again on 13th March, 2006 with Sri A K Goyal, IAS and Sri K Devanand, IAS as Members and Sri P Ramakanth Reddy, IAS as Chairman of the Committee. consequent on appointment of Sri K Devanand, IAS as Managing Director in place of Sri B Siddhartha Kumar, IFS.

DISCLOSURES

- i) The information of conservation of energy, technology absorption and foreign exchange earnings and outgo as required U/S 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 was not annexed as the same were not applicable.
- ii) No statement giving particulars as required by the provisions of the Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules 1975 as amended, annexed hereto since none of the employees of the Company are in receipt of remuneration in excess of Rs. 24,00,000 p.a. or Rs. 2,00,000 p.m. during the year under review.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that

- i) that in the preparation of the annual accounts for the year ended March 31, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at March 31, 2005.
- iii) that 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 the fraud and other irregularities.
- iv) that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENTS

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 : 13.03.2006

For and on behalf of the Board

Sd/-

(P. Ramakanth Reddy)

CHAIRMAN

DIRECTORS

AUDITORS' REPORT

To
The Members of
Andhra Pradesh Power Finance Corporation Limited

We have audited the attached Balance sheet of Andhra Pradesh Power Finance Corporation Limited as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount 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.

As required by the companies (Auditor's Report) order, 2003 as amended by the companies (Auditor's Report) order, 2004 issued by Central Government, in terms of sub-section 227 (4A) of the companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order and as per directions conferred by Section 45MA (1A) of the Reserve Bank of India Act 1934, on matters specified in paragraphs 3 and 4, to the extent they are applicable.

Further to our comments in the Annexure referred to above, we report that subject to the following and Note on accounts

- (i) **REVENUE RECOGNITION** : The company does not recognise income on loans granted to the Government of Andhra Pradesh Rs. 7623,86,00,000/- (Last year Rs. 6543,26,00,000/-)
- (ii) **INTEREST PROVISION ON CUMULATIVE BONDS** : The company has not provided for the liability towards interest payable on the cumulative bonds amounting to Rs. 2378,59,870/- (Explanation given by the company in point no 4 to notes to accounts.)
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, the company has kept proper books of accounts as required by Law, in so far as appears from our examination of such books.
 - (c) The Balance sheet and profit and Loss Account referred to in this report are in agreement with the books of account.
 - (d) In our opinion, the balance sheet and profit and loss Account complies with the accounting standards referred to in sub-section (3c) of Section 211 of the Companies Act 1956 to the extent they are applicable to the company except non preparation of the cash flow statement as required under AS-3 of the accounting standards
 - (e) On the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of the companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the information & explanations given to us, the said Balance sheet and profit & loss account read together with the notes thereon give the information required by the Companies Act, 1956. In the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.



- i) in case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2005 and
- ii) in case of the Profit and Loss Account for the year ended as on that date.

For Ankit & Company
Chartered Accountant

Place: Hyderabad

Date : 04-10-2005

Sd/-

S. Brij Kumar
PARTNER

1. The company does not have an internal audit system commensurate with the size and nature of its business.
2. (a) The company is not covered under the provisions of the Provident Fund, Employees' State Insurance, Custom Duties, Excise Duties, etc.
3. (b) There are no statutory dues outstanding as regards at the last day of the financial year concerned for a period of more than six months from the date they become payable.
4. The company has not defaulted in repayment of dues to a financial institution or bank.
5. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
6. The company does not conduct any business of extra-mural deposit fund / societies.
7. The company is not dealing or trading in shares, securities, debentures and other investments.
8. The company has not given any guarantee by loan taken by other financial institutions.
9. The company has not made any preferential allotment of shares.
10. The company has not issued any Deposits.
11. During the period covered by our audit report, the Company has not raised any money by public issues other than bonds.
12. To the best of our knowledge and belief and according to the information and explanations given to us to find out if the company has been noticed or reported during the period under review.

For Ankit & Company
Chartered Accountant

Sd/-
S. Brij Kumar
PARTNER

Place: Hyderabad
Date : 04-10-2005

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph (1) of our Report of even date)

As required by Companies (Auditor's Report) Order, 2004 issued by Central Government, in terms of Sec.227 (4A) of the companies Act, 1956 and to the extent they are applicable to the Company. We further report that :

1. (a) The company is maintaining proper records to showing full particulars, including quantitative details and situation of its fixed assets.
(b) fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were found during the year under review.
(c) No fixed assets have been disposed off during the year, under review, hence not affected the going concern concept.
2. The company is registered under the provisions of Section 45 of Reserve Bank of India Act 1934 as Non Banking Financial Company.
3. The company has accepted deposits from the public by a issue of Unsecured Bonds, as per directives issued by the Reserve Bank of India being a Non-Banking Finance Company and no funds were raised under the provisions of sections 58A and 58AA of the Act and the rules framed there under.
4. The company does not have on internal audit system commensurate with its size and nature of its business.
5. (a) The company is not covered under the provisions of the Provident Fund, Employees, State Insurance Custom Duties, Excise Duties, cess.
(b) There are no statutory dues outatanding as arrears as at the last day of the financial year concerned for a period of more than six months from the date they became payable.
6. The company has not defaulted in repayment of dues to a financial institution or bank.
7. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities,
8. The company does not conduct any business of nidhi/ mutal benefit fund / societies,
9. The company is not dealing or trading in shares, securities, debentures and other investments,
10. The company has not given any Guarantee by loans taken by others from bank or financial institutions
11. The company has not made any preferential allotment of shares.
12. The company has not issued any Debentures,
13. During the period covered by our audit report, the Company has not raised any money by public issues other than bonds,
14. To the best of our Knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the period under review.

For Ankit & Company
Chartered Accountant

Sd/-

S. Brij Kumar
PARTNER

Place: Hyderabad
Date : 04-10-2005



Annexure IV

Comments of the Comptroller and Auditor General of India

under section 619(4) of the Companies Act, 1956 on the accounts of

Andhra Pradesh Power Finance Corporation Limited for the year ended 31st March 2005.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under section 619 (4) of the Companies Act, 1956 on the accounts of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2005.

S.No.	Particulars	2004-05	2003-04
(1)	Net worth	28.00	28.00
(2)	Capital Employed	2848.41	2848.41
	TOTAL	6007.62	6007.62
	(to the extent not written off or adjusted)	2.00	2.00
(3)	Miscellaneous Expenditure		
(4)	Current Assets, Loans & Advances	8002.03	8812.38
(5)	Net Block	0.00	0.00
(6)	Less Depreciation	0.00	0.00
(7)	Less Assets - Gross Block	0.00	0.00
(8)	Less Assets - Net Block	0.00	0.00
(9)	Less Current Liabilities & Provisions	151.18	242.03
(10)	Less Unsecured Loans	2823.73	242.03
(11)	Less Borrowings	—	—
(12)	TOTAL	6007.62	6007.62
(13)	Less Assets - Gross Block	0.00	0.00
(14)	Less Assets - Net Block	0.00	0.00
(15)	Less Current Liabilities & Provisions	151.18	242.03
(16)	Less Unsecured Loans	2823.73	242.03
(17)	Less Borrowings	—	—
(18)	TOTAL	6007.62	6007.62

Place: Hyderabad
Date : 09-03-2006

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

Note: (i) Capital employed represents net fixed assets plus working capital.

(ii) Net worth represents paid up capital plus reserves and surplus less intangible assets.

Annexure IV

Financial Review of Accounts of Andhra Pradesh Power Finance Corporation Limited, for the year ended 31st March, 2005 by the Comptroller and Auditor General of India

Note: This review of accounts has been prepared without taking into account the comments under section 619(4) of the companies act, 1956 and 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 crore)

Particulars	2002-03	2003-04	2004-05
LIABILITIES			
(a) Paid up Capital			
i) Government of Andhra Pradesh	27.00	27.00	27.00
(b) Share Application Money	—	2.00	2.00
(c) Borrowings			
Unsecured Loans	5823.47	6543.26	7659.46
(d) Current Liabilities & Provisions	157.18	245.02	242.83
TOTAL	6007.65	6817.28	7931.29
ASSETS			
(e) Fixed Assets: Gross Block	0.03	0.03	0.03
(f) Less: Depreciation	0.01	0.01	0.01
(g) Net Block	0.02	0.02	0.02
(h) Current Assets, Loans & Advances	6005.63	6815.26	7929.27
(i) Miscellaneous Expenditure (to the extent not written off or adjusted)	2.00	2.00	2.00
TOTAL	6007.65	6817.28	7931.29
(j) Capital Employed	5848.47	6570.26	7686.46
(K) Net worth	25.00	25.00	25.00

Note : (I) Capital employed represents net fixed assets plus working capital.

(II) Net worth represents paid up capital plus reserves and surplus less intangible assets.

For Audit & Company
Chartered Accountant

S. Sri Kumar
PARTNER



PROFIT AND LOSS ACCOUNT FOR
BALANCE SHEET AS AT 31 MARCH 2005

2. WORKING CAPITAL

The working capital (Current assets, loans and advances less current liabilities and provisions) at the end of each of the three years ended 31 March 2005 amounted to Rs. 5848.45 crores; Rs. 6570.24 crores; and Rs 7686.44 crore respectively.

3. Working Results

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

Sl.No.	Particulars	2002-03	2003-04	2004-05
I	<u>Income</u>			
	Interest	0.04	0.14	0.12
	TOTAL	0.04	0.14	0.12
II	<u>Expenditure</u>			
	(a) Interest on long term loans	530.41	661.27	773.63
	(b) Other Expenditure	14.27	11.96	2.39
	TOTAL	544.68	673.23	776.02
	Net expenditure transferred to Government of Andhra Pradesh	544.64	673.09	775.89

Place: Hyderabad
Date : 09-03-2006

Sd/-
Accountant General (C & RA)

Sd/-
S. V. PRASAD IAS
Director

Sd/-
B. SIDHARTHA KUMAR IES
Managing Director

Sd/-
B. RAMKUNTHAN
Managing Director

Sd/-
S. BRU KUMAR
Partner

Sd/-
S. GANESH V.S.
Partner



BALANCE SHEET AS AT 31st MARCH 2005

Annexure IV

PARTICULARS	Sch. No.	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
I. Source of Funds			
I. Share Holders Funds :			
Share Capital	1	270000700	270000700
Share Application Money		20020000	20020000
II Loan Funds			
Unsecured Loans	2	<u>76594600000</u>	<u>65432600000</u>
TOTAL		<u>76884620700</u>	<u>65722620700</u>
II. Application of Funds :			
1. FIXED ASSETS			
Gross Block		316568	301191
Less : Depreciation	3	<u>115909</u>	<u>82306</u>
NET BLOCK		200659	218885
2. CURRENT ASSETS, LOANS & ADVANCES			
CASH ON HAND			1581
CASH WITH SCHEDULED BANK	4	279799	59509
LOAN TO AP GOVT.		76238600000	65432600000
RECEIVABLE FROM GOVT. AP	5	3033851226	2699897465
DEPOSITS, LOANS & ADVANCES	6	<u>20018356</u>	<u>20016164</u>
Total Current Assets		79292749381	68152574719
Less : Current Liabilities & Provisions	7	<u>2428349341</u>	<u>2450192904</u>
NET CURRENT ASSETS		76864400040	65702381815
III. Miscellaneous Expenditure :			
(To the extent not written off or adjusted)		20020000	20020000
TOTAL		<u>76884620700</u>	<u>65722620700</u>
Notes on Accounts	8		

As per Audit report of even date
For M/s. Ankit & Co
Chartered Accountants

For Andhra Pradesh Power
Finance Corporation Limited

Sd/-
S. BRIJ KUMAR
Partner

Sd/-
B. SIDDHARTHA KUMAR, IFS
Managing Director

Sd/-
S.V. PRASAD, IAS
Director

Place : Hyderabad
Date : 04-10-2005



**PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDING 31-03-2005**

Rupees

PARTICULARS	SCH. NO	As at 31-3-2005	As at 31-3-2004
INCOME :			
Interest on TDR		1217858	1398664
NSDL Fees		—	50
Total Income.		1217858	1398714
EXPENDITURE			
Interest on Bonds		7718384647	6571550030
Interest on Application money		17888827	41109811
Arrangers Fees		16082588	24017782
Stamp Duty on Bonds		—	87209250
Bond Issues Expenses		—	486370
Surveillance Fees to CRISIL		1620000	1620000
Trustee fees to SBH		5000000	5016975
Consultant fees		172800	172800
Accounting services fees		33036	23200
Filing fees		5000	3525
Books and periodicals		7145	14893
Printing & Stationery		90693	6123
Postage charges		915	410
Vehicle Hire Charges		160300	154800
Company Secretary Charges		39342	29706
Repairs & Maintenance		—	15923
Consultancy Fee For Company Law Matters		15000	—
Folio Mantanance Charges		287036	—
IM Preperation fee		189000	—
Incometax Consultancy fees		27550	—
Office Expences		17757	—
Stamp Charges		—	3800
Statutory Audit Fees		16860	17400
Traveling Expenses		8140	10250
Telephone charges		47085	43314
Legal fees		—	5000
Listing fees		—	707500
Misc. expenses		—	6256
Depreciation		33602	32365
Remuneration to Managing Director		23280	49240
TOTAL EXPENDITURE		7760150603	6732306723
Excess of Income (Expenditure) over Expenditure Transferred to A.P. Govt.		(7758932745)	(6730908009)

As per Audit report of even date

For M/s. Ankit & Co
Chartered AccountantsFor Andhra Pradesh Power
Finance Corporation LimitedSd/-
S. BRIJ KUMAR
PartnerSd/-
B. SIDDHARTHA KUMAR, IFS
Managing DirectorSd/-
S.V. PRASAD, IAS
Director

Place : Hyderabad

Date : 04-10-2005

**SCHEDULE FORMING PART OF BALANCE SHEET AND PROFIT & LOSS A/C**

PARTICULARS	As at 31.03.2005	As at 31.03.2004
SCHEDULE 1		
<u>SHARE CAPITAL</u>		
AUTHORISED SHARE CAPITAL : (30,00,00,000 Equity Shares of Rs. 100 each)	<u>30000000000</u>	<u>30000000000</u>
ISSUED & PAID UP SHARES CAPITAL 27,00,007 Equity Shares of Rs. 100 each Fully paid up	<u>270000700</u>	<u>270000700</u>
SCHEDULE 2		
<u>UNSECURED LOANS</u>		
1/2000 Bond issue 1st series	3569700000	3569700000
2/2000 Bond issue 2nd series	5056200000	5056200000
1/2001 Bond issue 3rd series	4335600000	4335600000
2/2001 Bond issue 4th series	8621800000	8621800000
3/2001 Bond issue 5th series	3424500000	3424500000
4/2001 Bond issue 6th series	2933900000	2933900000
5/2001 Bond issue 7th series	9931100000	9931100000
I/2002 Bonds 8th series	5580400000	5580400000
II/2002 Bonds 9th series	2006500000	2006500000
III/2002 Bonds 10th series	4987500000	4987500000
I/2003 Bonds 11th series	3357500000	3357500000
II/2003 Bonds 12th series	1640000000	1640000000
III/2003 Bonds 13th series	3927900000	3927900000
IV/2003 Bonds 14th series	6060000000	6060000000
I/2004 Bonds 15th series	5190000000	-
I/2005 Bonds 16th series	5972000000	-
	<u>76594600000</u>	<u>65432600000</u>

For Andhra Pradesh Power
Finance Corporation Limited

Sd/-

B. SIDDHARTHA KUMAR, IFS

Managing Director

Sd/-

S.V. PRASAD, IAS

Director



SCHEDULE OF FIXED ASSETS FOR THE YEAR ENDED 31st MARCH 2005

SCHEDULE - 3

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		As at 31-03-2004	Rate of Dep.	Additions	As at 31-03-05	As at 31-03-04	For the Year	As at 31-03-05	As at 31-03-04	
1.	Plant & Machinery	124790	7.07	0	124790	25242	8823	34065	90725	99548
2.	Computer System	130709	16.21	0	130709	52664	21118	73852	56857	78045
3.	Office Equipments	45692	6.33	0	45692	4401	2892	7293	38399	41291
4.	Furniture & Fixtures	0	6.33	15377	15377	0	699	699	14678	0
	Total	301191		15377	316568	82307	33602	115909	200659	218884
	Previous year	286471		14720	301191	49941	32365	82306	218884	236530

Sd/-
B. SIDDHARTHA KUMAR, IFS
 Managing Director

Sd/-
S.V. PRASAD, IAS
 Director



PARTICULARS	As at 31-3-2005	As at 31-3-2004
SCHEDULE 4		
CASH & BANK BALANCES		
Balance in SBH Current a/c	277502	59509
Cash on Hand	2297	1581
	279799	61090
SCHEDULE 5		
RECEIVABLES		
AP Bond 1/2005 Money in transit	35600000	-
Other Receivables from AP Govt.	2677851226	2699897465
	3033851226	2699897465
SCHEDULE 6		
DEPOSITS, LOANS & ADVANCES		
Fixed Deposit with SBH	20000000	20000000
Interest Receivable on TDR	18356	16164
	20018356	20016164
SCHEDULE 7		
CURRENT LIABILITIES & PROVISIONS		
Interest accrued but not due on Bonds	2392888520	2448862871
Outstanding expenses	1376290	1330033
Tax deducted at source	892996	-
Application money interest payable	17888827	-
AK Capital	1063157	-
Allianz Securities	1807838	-
Bajaj Capital	251539	-
Centrum Finance Limited	1485701	-
HUDCO	5647860	-
Karvy Investors Ltd.	799591	-
N. Siva Prasad Associates	38843	-
RR Finance Limited	100406	-
SBI Capital	993605	-
UTI Bank Limited	985761	-
UTI Securities	276641	-
SPA Marchant Bankers Limited	1851766	-
	2428349341	2450192904
Sd/- B. SIDDHARTHA KUMAR, IFS Managing Director	Sd/- S.V. PRASAD, IAS Director	

NOTES FORMING PART OF THE ACCOUNTS AS ON 31.03.2005**SCHEDULE - 8****I. Significant Accounting Policies followed****Basis of Accounting :**

The company prepares its accounts on accrual basis under the historical cost convention and in accordance with the applicable Accounting Standards followed in India.

II. Revenue Recognition :

The company does not recognize income on the loans given to the Government of Andhra Pradesh out of the various series of bonds issued on Private Placement basis. The expenditure incurred by the company is transferred to the Government of Andhra Pradesh account for reimbursement.

III. Fixed Assets

1. Fixed assets are stated at Cost of Acquisition inclusive of duties, taxes etc. Depreciation is provided on Straight Line Method from the date of putting the asset to use. As per schedule XIV of the Companies Act, 1956.

2. Andhra Pradesh Power Finance Corporation Ltd., (APPFCL) was incorporated pursuant to the Andhra Pradesh Government Order G.O.Ms. No. 54 dated 19-05-2000. APPFCL was incorporated as a Government company under the Companies act 1956, on 12th July, 2000, and has commenced business on July 13, 2000. APPFCL has obtained registration from the Reserve Bank of India as a non-banking finance company under the Reserve Bank of India Act, 1934 vide letter No. DMBS(H) No. 714/04.039/2000-2001 dated August 25, 2000.

3. Unsecured Loans : Rs. 7659,46,00,000 (last Year Rs. 6543,26,00,000)

3.1. The company has issued bonds under various series styled "POWER BONDS" during the year on Private Placement Basis. The common features of the Bonds are as under:

- The Bonds are in the nature of Non-Convertible Bonds, in the nature of Debentures.
- Government of Andhra Pradesh unconditionally and irrevocably guarantees the interest and principal repayments.
- The payments to the Bond holders are governed by a "STRUCTURED MECHANISM", through a Tripartite Agreement between the company, Government of Andhra Pradesh and State Bank of Hyderabad, Trustees to the Bondholders, which assures budgetary support, if required, from the Government of Andhra Pradesh for servicing the bonds. The payment due on bonds, trustees remuneration and all other monies retaining thereto are secured by:

a) First charge on all the monies received/to be received by the company in the Designated Account from the State Government of Andhra Pradesh pursuant to the obligations undertaken by it under the Tripartite Agreement.

b) First charge on all monies in the designated account and all monies and other revenues transferred to that account by the company.

3.2. Unsecured Loans to A.P. State Government includes bonds issued for consideration other than cash to creditors of AP Transco Rs. 2778,59,00,000.

3.3.1. Power Bonds Series 1/2000: Rs. 356.97 Crores

The bonds carry a coupon rate of 13.10% p.a. for a tenor of 7 years and 13.30% p.a. for a tenor of 10 years, payable semi-annually with put/call options at the end of 5 years and 7 years respectively.

3.3.2. Power Bonds Series 2/2000: Rs. 505.62 Crores.

The bonds carry a coupon rate of 13.10% p.a. for a tenor of 7 years and 13.30% p.a. for a tenor of 10 years and 13.50% for a tenor of 12 years, payable semi-annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

Cumulative Interest Bonds :

The bonds carry coupon rate of 13.53% p.a. for a tenor of 7 years and 13.74% p.a. for a tenor of 10 years and 13.96% for a tenor of 12 years, payable on redemption.

3.3.3. Power Bonds Series 1/2001: Rs. 433.56 Crores

The bonds carry a coupon rate of 13.10% p.a. for a tenor of 7 years and 13.30% p.a. for a tenor of 10 years and 13.50% for a tenor of 12 years, payable semi-annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

Cumulative Interest Bonds :

The bonds carry coupon rate of 13.53% p.a. for a tenor of 7 years and 13.74% p.a. for a tenor of 10 years and 13.96% for a tenor of 12 years, payable on redemption.

3.3.4. Power Bond Series 2/2001 : Rs. 862.18 Crores (Last year Rs. 1305.18 crores)

Rs. 443.00 transferred to AP State Government.

The bonds carry a coupon rate of 12.30% p.a. for a tenor of 7 years and 12.60% p.a. for a tenor of 10 years and 12.80% for a tenor of 12 years, payable semi-annually with put/call options at the end of 5 years and 7 years and 10 years respectively, including Bonds issued for consideration other than cash Rs. 1053.00 crores.

3.3.5. Power Bond Series 3/2001: Rs. 342.45 Crores

The bonds carry a coupon rate of 12.00% p.a. for a tenor of 7 years and 12.30% p.a. for a tenor of 10 years and 12.50% for a tenor of 12 years, payable semi-annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

3.3.6. Power Bonds Series 4/2001: Rs. 293.39 Crores

The bonds carry a coupon rate of 12.00% p.a. for a tenor of 7 years and 12.30% p.a. for a tenor of 10 years and 12.50% for a tenor of 12 years, payable annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

3.3.7. Power Bond Series 5/2001: Rs. 993.11 Crores

The bonds carry a coupon rate of 11.60% p.a. for a tenor of 7 years and 11.80% p.a. for a tenor of 10 years and 12.00% for a tenor of 12 years, payable annually with put/call options at the end of 5 years and 7 years and 10 years respectively, including Bonds issued for consideration other than cash Rs. 875.59 crores

3.3.8. Power Bond Series I/2002: Rs. 558.04 Crores

The bonds carry a coupon rate of 11.40% p.a. for a tenor of 7 years and 11.60% p.a. for a tenor of 10 years and 11.80% for a tenor of 12 years, payable-annually with put/call options at the end of 5 years and 7 years and 10 years respectively, including Bonds issued for consideration other than cash Rs. 350 crores.

3.3.9. Power Bond Series II/2002: Rs. 200.65 Crores

The bonds carry a coupon rate of 11.20% p.a. for a tenor of 7 years and 11.40% p.a. for a tenor of 10 years and 11.60% for a tenor of 12 years, payable annually with put/call options at the end of 5 years and 7 years and 10 years respectively.

3.3.10. Power Bond Series III/2002: Rs. 498.75 Crores

The bonds carry a coupon rate of 10.95% p.a. for a tenor of 7 years and 11.15% p.a. for a tenor of 10 years, payable annually with put/call options at the end of 5 years and 7 years respectively, including bonds issued for consideration other than cash Rs. 285 crores.

3.3.11. Power Bond Series I/2003: Rs. 335.75 Crores

The bonds carry a coupon rate of 10.70% p.a. for a tenor of 7 years and 10.90% p.a. for a tenor of 10 years and payable annually with put/call options at the end of 5 years and 7 years respectively, including Bonds issued for consideration other than cash Rs. 215 crores.

**3.3.12. Power Bond Series II/2003: Rs. 164.00 Crores**

The bonds carry a coupon rate of 10-70% p.a. for a tenor of 7 years and 10.90% p.a for a tenor of 10 years , payable annually with put / call options at the end of 5 years and 7 years respectively.

3.3.13. Power Bond Series III/2003: Rs. 392.79 Crores

The bonds carry a coupon rate of 10-45% p.a. for a tenor of 7 years and 10.65% p.a for a tenor of 10 years , payable annually with put / call options at the end of 5 years and 7 years respectively.

3.3.14. Power Bond Series IV/2003: Rs. 606.00 Crores

The bonds carry a coupon rate of 10-45% p.a. for a tenor of 7 years and 10.65% p.a for a tenor of 10 years , payable annually with put / call options at the end of 5 years and 7 years respectively.

3.3.15. Power Bond Series 1/2004: Rs. 519.00 Crores

The bonds carry a coupon rate of 7.50% p.a. for a tenor of 7years and 7.70% p.a. for a tenor of 10 years, payable annually with put/call options at the end of 5 years and 7 years respectively.

3.3.16. Power Bond Series 1/2005: Rs. 597.20 Crores

The bonds carry a coupon rate of 8.15% p.a. for a tenor of 15 years payable annually with put/call options at the end of 12 years

4. Interest on Cumulative Bond amounting to Rs. 23,78,59,873/- is not provided for in the accounts due to the following reasons

- (i) The interest is due and payable only on maturity of the Bonds as per the terms of the offer document.
- (ii) The quantum of interest due to a bondholder cannot be ascertained, as they are tradable bonds,
- (iii) The Tax due payable by a bondholder cannot be deducted as the quantum of interest cannot be determined.
- (iv) Interest is not expenditure to the corporation and the same is reimbursable by the AP State Government

5. Balances in No Lien Current accounts with the banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is 113,17,73,305 (last year Rs. 115,21,94,711) against which cheques have already been dispatched to the Bondholders. The accounts have not been reconciled.

Other information required by Schedule VI, Part II of the Companies Act 1956 relating to exports, imports and earnings in foreign currency, remittance in foreign currency is not given, as the same is not applicable to the company.

6. Loans to the Government of Andhra Pradesh

Up to the year ending 31-3-2005, the funds mobilized by issue of bonds were Rs. 7659,46,00,000 (Last year Rs. 6543,26,00,000) and Loans to Government of Andhra Pradesh were Rs. 7623,86,00,000 (Last year Rs. 6543,26,00,000) and Rs. 35,60,00,000 was realized subsequently and transferred to Government loan A/c.

Out of the above the bonds issued of consideration other than cash were Rs. 2778,59,00,000, which was on account of the creditors of AP. Transco.

7. As the company is not a manufacturing company, information relating to paragraphs 3 and 4 of the Schedule VI of the Companies Act 1956 is not given.**8. Previous period figures are regrouped inline with the current year's classification.**

For M/s. Ankit & Co
Chartered Accountants

Sd/-
S. BRIJ KUMAR
Partner

Place : Hyderabad
Date : 04-10-2005

For Andhra Pradesh Power
Finance Corporation Limited

Sd/-
B. SIDDHARTHA KUMAR, IFS
Managing Director

Sd/-
S.V. PRASAD, IAS
Director



ANNEXURE TO BALANCE SHEET AS AT 31.03.2005

Additional Information required under Part IV
of Schedule VI to the Companies Act, 1956:

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE AS AT 31-03-2005

1. Registration No. : 01-34911-00-2001			State Code : 01
Balance Sheet Date : 31-03-2005			
2. Capital Raised During the Year	NIL		
3. <u>Position of Mobilisation & Deployment of Funds (Rs. Lakhs)</u>			
Total Liabilities :	768846.21	Total Assets	768846.21
<u>Source of Funds (Rs. Lakhs)</u>			
Paid-up Capital	2900.01	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	765946.00
<u>Application of Funds (Rs. Lakhs)</u>			
Net Fixed Assets	2.19	Investments	NIL
Net Current Assets	768644.00	Misc. Expenses & Losses	200.20
Accumulated Losses	NIL		
<u>Performance of the Company (Rs. Lakhs)</u>			
Turnover/Income	12.18	Total Expenditure	77601.51
Expenditure Trfd to A.P. Govt.	77589.33	Profit after Tax	NIL
Earnings per Share	NIL		Dividend per share
NIL			
4. <u>Generic names of principal products/services of the company</u>			
Item Code	Not applicable		
Product description	Not applicable		

For Andhra Pradesh Power
Finance Corporation Limited

Sd/-
B. SIDDHARTHA KUMAR, IFS
Managing Director

Sd/-
S.V. PRASAD, IAS
Director

Place : Hyderabad
Date : 04-10-2005