

**ANDHRA PRADESH POWER FINANCE
CORPORATION LIMITED**



Annual Report for 2005-2006



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BOARD OF DIRECTORS

- | | | |
|----|---|-------------------|
| 1. | Sri P Ramakanth 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 |

REGISTERED OFFICE

ANDHRA PRADESH SECRETARIAT
HYDERABAD - 500 022.

AUDITORS

KARVY & COMPANY
Chartered Accountants
No.2, Bhooma Plaza, St.No. 4,
Avenue 7, Banjara Hills,
Hyderabad- 34.

BANKERS

State Bank of Hyderabad
Gunfoundry Branch, Abids,
Hyderabad - 500 001.

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Sixth Annual Report on the operations of the Company together with the Audited statement of Accounts for the year ended 31st March 2006.

INDUSTRY SCENARIO

Power is the fulcrum on which rests the future pace of growth of the economy. The Indian economy is poised for high growth in the years to come. The GDP growth rate for the year, 2005-06 is now being estimated at 8.4% as compared to 7.5% in the previous year. Last year witnessed a promising GDP growth rate of 6.9%. This reflects a high growth in industrial and allied sectors, thereby spurring a higher demand for power.

The country today has more than 125 G W of Installed Capacity. However, it is far from adequate to meet the growing demand for power. There is, therefore, an immense potential for the power sector to grow. Along with the sector, it is a great opportunity for your Company to grow. Growth in power supply will give greater impetus to all round economic growth and this, in turn, will further fuel demand for power.

To enable robust growth, the Government of India has taken a number of policy initiatives and has put in place an enabling legal framework. These include the Electricity Act, 2003, National Electricity Policy, Tariff Policy, Accelerated Power Development and Reform Programme, the 50,000 MW Hydro initiative, the 1,00,000 Thermal Initiative, Ultra Mega Power Projects plan, Rural Electrification Schemes Under Rajiv Gandhi Gramin Viduyutikaran Yojana and various other plans and policies.

The main targets of the National Electricity Policy include providing electricity to all households by 2009 providing minimum lifeline consumption of one unit per household per day and to meet power demand fully by 2012. It also envisages increasing per capita consumption of power from the existing level of about 600 Units to 1000 Units.

This would need a massive capacity addition of around 1,00,000 MW by the year 2012. In order to meet this target of capacity addition and the associated transmission and distribution set up, we need to galvanise investment to the tune of Rs.8,00,000 Crores, creating an immense business opportunity to the Power Finance Corporations, both at national and State level, like us.

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.250 Crores by way of Unsecured loan from Canara Bank during the year under review. An amount of Rs.250 Crores were made available to the Government for financing the requirements of power sector and the cumulative advances as at 31st March 2006 were Rs.6598.50 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs.834.75 Crores and the same was transferred to the Government for reimbursement.

POWER BONDS

The amount of Power Bonds outstanding as at 31st March, 2006 was Rs.6348.50 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, I A S, Special Chief Secretary to Government, Energy Department in place of Sri S V Prasad, I A S and Sri K Devanand, I A S, Joint Secretary to Government, Energy Department has been appointed as Director and Managing Director of the Company in place of Sri B Siddhartha Kumar, I F S. The Board placed on record its warm appreciation of the valuable contribution made by Sri S V Prasad, I A S and Sri B Siddhartha Kumar, I F S during their tenure as Directors of the Company.

AUDITORS

M/s Karvy & Company, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2005-06.

AUDIT OBSERVATIONS

The Company is yet to institute an Internal Audit System as the number of transactions involved are very few and far in between and restricted to the raising of funds, transferring the same to the Government of Andhra Pradesh and payment of interest and redemption of bonds.

The comments of the Comptroller & Auditor General of India on the Annual Accounts for the year ended 31st March, 2006, will be circulated to the members and laid at the ensuing Annual General Meeting for adoption of Annual Accounts for the year 2005-06.

AUDIT COMMITTEE

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

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 the limits specified therein, during the year under review.

DIRECTORS' 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, 2006, 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 judgments 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, 2006.
- (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.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director

Place: Hyderabad
Date: 25.09.2006

AUDITORS' REPORT

To

The Members of

Andhra Pradesh Power Finance Corporation Limited

We have audited the attached Balance sheet of **M/s. ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED** as at 31st March, 2006, and also the Profit & 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.

1. 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 test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. **We enclose in the Annexure a statement on the matters specified in**
 - a) Paragraph 4 and 5 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956("the Order")
 - b) Paragraph 3 and 4 of the directions conferred Section 45MA(1A) of the Reserve Bank of India Act, 1934, to the extent applicable
3. **Further to our comments in the Annexure referred to above, we report that**
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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.
 - e. On the basis of written representation received from the directors of the company as at March 31, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion, and to the best of our information and according to the 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 the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 2006; and
 - ii. in the case of the Profit and Loss Account for the year ended as on that date.

For **KARVY & COMPANY**
Chartered Accountant

Sd/-

K. AJAY KUMAR
PARTNER
M.No.21989

Place: Hyderabad
Date: 25.09.2006

ANNEXURE TO THE AUDIT REPORT:**Statement on the matters referred to in Paragraph 2 (a) of our Report**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of 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. As the company does not carry inventory of stores and the other materials, clause 4 (ii) of the Order is not applicable.
3. The company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, 4(iii) (a) to 4(iii)(g) of the Order are not applicable.
4. Having regard to the company's nature of business and based on our scrutiny of company's records and the information and explanations received by us, we report that the company's activities do not include purchase and sale goods. In our opinion, and according to the information and explanations given to us, there are adequate internal procedures commensurate with the size of the company and nature of its business with regard to purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets.
5. In our opinion and according to the information and explanations provided by the management, we are of the opinion that there are no transactions during the year, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has complied with the provisions of Section 58A and 58AA and the rules framed there under and the directives issued by the Reserve Bank with respect to Non-Banking Finance Companies, to the extent applicable.
7. The company does not have an internal audit system commensurate with the size and the nature of its business.
8. In respect of this company, maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the records of the company and information and explanations given to us, the Employees Provident Fund and other Miscellaneous Provisions Act and Employees State Insurance Act are not applicable to the Company, for time being.
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income tax, Sales Tax, Service Tax, Wealth Tax, Customs Duty, Excise Duty and Cess which were in arrears as at March 31, 2006 for a period of more than six months from the date on which they become payable.
- (c) According to the information and explanations given to us and the records of the company examined by us, there are no dues of Income tax, Sales Tax, Service Tax, Wealth Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any dispute.
10. According to the information and explanations given to us, the Government of Andhra Pradesh will reimburse entire expenditure incurred by the company. Accordingly, clause 4(x) of the Order is not applicable.

11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to banks or debenture holders.
12. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a Chit fund or a Nidhi/Mutual Benefit fund/ Society. Therefore, the provisions of clause 4 (xiii) of the Order is not applicable.
14. In our opinion, the Company is not dealing in or trading in Shares, Securities, debentures and other investments, accordingly, the provisions of clause 4 (xiv) of the Order is not applicable to the company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purpose for which these were obtained.
17. According to the information and explanations given to us, on overall basis, funds raised on short term basis, prima facie, have not been used during the year for long term investment and vice versa.
18. The company has not made any preferential allotment to parties and companies covered under register maintained under section 301 of the Companies Act, 1956, during the year.
19. No debentures were issued by the company during the year. According to the information and explanations given to us and the records examined by us, the Government of Andhra Pradesh unconditionally and irrevocably guaranteed the interest and principal repayments of the various bonds issued by the company in the earlier years. However, being a Government Non-Banking Finance Company, the company is exempted from creating securities in respect of debentures issued.
20. The Company has not raised any money through public issue during the year.
21. 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 was noticed or reported during the year.

STATEMENT ON THE MATTERS REFERRED TO IN PARAGRAPH 2 (B) OF OUR REPORT

The Company is registered under the provisions of Section 45-IA of the Reserve Bank of India Act, 1934, as the Non-Banking Finance Company.

For KARVY & COMPANY
Chartered Accountants

Sd/-
(K. AJAY KUMAR)
PARTNER
M.No.21989

Place : Hyderabad
Dated : 25.09.2006.



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED, HYDERABAD FOR THE YEAR ENDED 31 MARCH 2006.

BALANCE SHEET

Miscellaneous Expenditure

(To the extent of not written off or adjusted)

Preliminary Expenses .Rs.200.20 Lakh

The above represents the preliminary expenses incurred on the formation of the company and are outstanding in the books of account since its formation in 2000-01. The company should have amortised this amount over a period of five years by charging the same to Profit and Loss Account. Non-amortisation of Preliminary Expenses has resulted in overstatement of "Miscellaneous Expenditure (to the extent not written off or adjusted) - Preliminary Expenses" and understatement of Net expenditure transferred to A.P. Government Rs.200.20 Lakh. The management's contention that this will be written off in the year in which the company registers any surplus is not tenable as there will not be any surplus in future years in view of the declared accounting policies (Schedule - 8) at serial no.1 (b) and 1 (e) on 'Revenue Recognition' and 'Misc. Expenses'.

Sd/-

Accountant General (C&RA)

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

(Including ADB - AGM)

BALANCE SHEET AS AT 31st MARCH' 2006

PARTICULARS	SCH. NO.	AS AT	AS AT
		31.03.2006 Rupees	31.03.2005 Rupees
I SOURCE OF FUNDS :			
1 SHARE HOLDERS FUNDS :			
Share Capital	1	290020700	270000700
Share Application Money		0	20020000
II LOAN FUNDS :			
Unsecured Loans	2	65985000000	76594600000
TOTAL		66275020700	76884620700
II APPLICATION OF FUNDS :			
1 FIXED ASSETS :			
Gross Block		414407	316568
Less: Depreciation	3	151657	115909
NET BLOCK		262750	200659
2 CURRENT ASSETS, LOANS & ADVANCES :			
CASH & BANK BALANCES	4	23903422	20279799
LOAN TO AP GOVERNMENT		65985000000	76238600000
LOANS ,ADVANCE & RECEIVABLES	5	2469683805	3033869583
OTHER ADVANCES (ADB-AGM)	6	29972103	
Total Current assets		68508559330	79292749382
Less: Current Liabilities & Provisions	7	2253821380	2428349341
Net Current Assets		66254737950	76864400041
III MISCELLANEOUS EXPENDITURE :			
(To the extent not written off or adjusted)			
Preliminary Expenses		20020000	20020000
TOTAL		66275020700	76884620700
NOTES ON ACCOUNTS	8		

 For KARVY & COMPANY
Chartered Accountants

 Sd/-
(K. AJAY KUMAR)
PARTNER

 Place: Hyderabad
Date : 25-09-2006

 For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

 Sd/-
K.Devanand, IAS
Managing Director

 Sd/-
G.Parthasarathi
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 31-03-2006**

Rupees

PARTICULARS	SCH. NO	As at 31-3-2006	As at 31-3-2005
INCOME :			
Interest on TDR		1352262	1217858
TOTAL INCOME		1352262	1217858
EXPENDITURE :			
Interest on Bonds		8291682533	7718384647
Interest on Term Loan		4383562	0
Interest on Application money		134476	17888827
Stamp Duty on Bonds		41857500	-
Rating fee		1653000	1620000
Trustee fees to SBH		5000000	5000000
NSE Listing fee		700000	0
Arrangers fees		0	16082588
Bond servicing Exp.		223711	0
Filing fees		4000	5000
Registrar fees		55100	0
Merchant Bankers fee		0	189000
Costodial Service fee		58626	0
Consultant fees		172800	172800
Accounting services fees		72803	33036
Advertisement Expenses		1993420	0
Printing & Stationary		106690	90693
Postage & Telegrams		425	915
Vehicle Hire Charges		297103	160300
Conveyance		1980	0
company secretary charges		46284	39342
consultancy Fee for company law matters		0	15000
Establishment charges		124950	0
folio maintenance charges		177729	287036
Travelling Expenses		543143	8140
Telephone charges		81536	47085
General Expenses		20275	0
Hotel Expenses		222127	0
Incometax Consultancy fees		5612	27550
Office expenses		38616	17757
Bank Charges		442	0
Books and periodicals		7793	7145
Salaries-Accountant		278477	0
Auditors Remuneration: - As Auditors		22729	16860
Meeting Expenses		79928	0
Depreciation		35748	33602
Logo Designing Charges		20000	0
Remuneration to Managing Director		79182	23280
		8350182300	7760150603
TOTAL EXPENDITURE		8350182300	7760150603
Less: Grant from AP Govt towards expenditure (ADB-AGM)		1339281	
Total Expenditure		8348843019	7760150603
Net Expenditure Transferred to A.P.Govt.		(8347490757)	(7758932745)

For KARVY & COMPANY
Chartered Accountants
Sd/-

(K. AJAY KUMAR)
PARTNER

Place: Hyderabad
Date: 25-09-2006

For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director

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

PARTICULARS	As at 31.03.2006	As at 31.03.2005
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED SHARE CAPITAL: (30,00,00,000 Equity Shares of Rs. 100 each)	<u>30000000000</u>	<u>30000000000</u>
ISSUED & PAID UP SHARE CAPITAL 29,00,207 Equity Shares of Rs. 100 each Fully paid up	<u>290020700</u>	<u>270000700</u>
SCHEDULE - 2		
UNSECURED LOANS		
1/2000 Bond issue 1st series	1751000000	3569700000
2/2000 Bond issue 2nd Series	2664600000	5056200000
1/2001 Bond issue 3rd Series	1829700000	4335600000
2/2001 Bond issue 4th Series	2228400000	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
1/2002 Bonds Issue 8th Series	5580400000	5580400000
2/2002 Bonds Issue 9th Series	2006500000	2006500000
3/2002 Bonds Issue 10th Series	4987500000	4987500000
1/2003 Bonds Issue 11th Series	3357500000	3357500000
2/2003 Bonds Issue 12th Series	1640000000	1640000000
3/2003 Bonds Issue 13th Series	3927900000	3927900000
4/2003 Bonds Issue 14th Series	6060000000	6060000000
1/2004 Bonds Issue 15th Series	5190000000	5190000000
1/2005 Bonds Issue 16th Series	5972000000	5972000000
	<u>63485000000</u>	<u>76594600000</u>
Unsecured Loan from Banks:		
Term Loan -Canara Bank	<u>2500000000</u>	<u>0</u>
TOTAL	<u>65985000000</u>	<u>76594600000</u>

 For KARVY & COMPANY
Chartered Accountants

 For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

 Sd/-
(K. AJAY KUMAR)
PARTNER

 Sd/-
K.Devanand, IAS
Managing Director

 Sd/-
G.Parthasarathi
Director

 Place: Hyderabad
Date : 25-09-2006

SCHEDULE OF FIXED ASSETS FOR THE YEAR ENDED 31st MARCH 2006
SCHEDULE - 3

Sl. No.	Description	GROSS BLOCK				DEPRECIATION			NET BLOCK	
		As at 31-03-2005	Rate of Dep.	Additions	As at 31-03-06	As at 31-03-05	For the Year	As at 31-03-06	As at 31-03-06	As at 31-03-05
1	Plant & Machinery	124,790	7.07	-	124,790	34,065	8,823	42,888	81,902	90,725
2	Computer System	130,709	16.21	26,420	157,129	73,852	22,279	96,131	60,998	56,857
3	Office Equipments	45,692	6.33	28,470	74,162	7,293	3,429	10,722	63,440	38,399
4	Furniture & Fixtures	15,377	6.33	12,453	27,830	699	1,217	1,916	25,914	14,678
5	Office Equipments (ADB-AGM)	-	6.33	18,500	18,500	-	-	-	18,500	-
6	Furniture & Fixtures (ADB-AGM)	-	6.33	11,996	11,996	-	-	-	11,996	-
	TOTALS	316,568		97,839	414,407	115,909	35,748	151,657	262,750	200,659
	Previous year	301,191		15,377	316,568	82,306	33,602	115,909	200,659	218,884

For KARVY & COMPANY
Chartered Accountants

Sd/-
(K. AJAY KUMAR)
PARTNER

Place: Hyderabad
Date : 25-09-2006

For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director



PARTICULARS	As at 31-3-2006	As at 31-3-2005
SCHEDULE 4		
Cash & Bank Balances		
Cash in Hand	1637	2297
Cash in Hand - ADB AGM	1899	0
Balances with Scheduled Bank		
- In Current Account - SBH	120755	277502
- In ADB AGM - Andhra Bank	3779131	0
- In Fixed Deposits Account	20000000	20000000
Total	23903422	20279799
SCHEDULE - 5		
LOANS, ADVANCE & RECEIVABLES		
AP Bond 1/2005 Money in Transit	0	356000000
Other Receivables from AP Govt.	2469668353	2677851226
Interest Receivable from fixed deposit	15452	18357
Total	2469683805	3033869583
SCHEDULE - 6		
OTHER ADVANCES (ADB-AGM)		
Tour Advance	72103	0
Cyberabad Society - Hitex (ADB-AGM)	26400000	0
Police Security (ADB-AGM)	3500000	0
Total	29972103	0
SCHEDULE - 7		
CURRENT LIABILITIES & PROVISIONS		
Interest accrued but not due on Bonds	2218108105	2410777347
Sundry Creditors	0	15302708
Grant In aid for ADB -AGM	33615107	0
Liabilities For Expenses	2098168	2269286
Total	2253821380	2428349341

For KARVY & COMPANY
Chartered Accountants

Sd/-
(K. AJAY KUMAR)
PARTNER

Place: Hyderabad
Date : 25-09-2006

For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director



Schedule forming Part of Balance Sheet & Profit & Loss

LIABILITIES For Expenses ADB-AGM Expenses

Accounting Charges Payable	19836
Establishment Charges Payable	19551
Magnet Features	20000
Meeting Expenses Payable	63612
Salaries Payable	14900
Telephone Charges Payable	5248
Travelling Expenses Payable	24776
Professional Tax	200

APPFC Expenses

Accounting Charges Payable	3708
Advt. Expenses Payable	356337
Audit Fee Payable	21454
Company Secretary Charges payable	2258
Consultant fee payable	13400
Folio Maintenance charges payable	171727
Karvy Computer Share Ltd	18763
MD Remuneration Payable	2655
Printing & stationery Payable	546
Salaries Payable	29877
Taxation Charges Payable	31542
Telephone Charges Payable	2682
Trustee fee payable	1179875
Vehicle hire charges payable	13720
TDS Payable	81501

TOTAL

2098168

For KARVY & COMPANY
Chartered Accountants

Sd/-
(K. AJAY KUMAR)
PARTNER

For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director

Place: Hyderabad
Date : 25-09-2006

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**SCHEDULE - 8****SIGNIFICANT ACCOUNT POLICIES AND NOTES TO ACCOUNTS:****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.

b. Revenue Recognition:

- i. 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.
- ii. The expenditure incurred by the company is transferred to the Government of Andhra Pradesh account for reimbursement.

c. Fixed Assets:

Fixed assets are stated at 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 capitalised.

d. Depreciation:

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

e. Misc. Expenses

All the expenditure incurred during the year by the company is being transferred to the Government of Andhra Pradesh and the company has no surplus since its incorporation to write off the preliminary expenses incurred for incorporation of the company. However, the preliminary expenses will be written off in the year in which the company registers any surplus.

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 12 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.DNBS(H) NO. 714/04.039/2000-2001 dated August 25, 2000.

3 UNSECURED LOANS: Rs.6598,50,00,000/- (Previous year Rs.7659,46,00,000/-).

- 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 relating 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. The Company, during the year, has taken an unsecured loan of Rs.250 Crores from Canara Bank, for the purpose of onward lending to M/s. APTRANSCO for (rural electrification works) for the purpose of implementation of the scheme for energisation of individual farmer pump sets/wells in rural areas. The Government of Andhra Pradesh has guaranteed the repayment of this loan.
- 3.3. Unsecured Loans at the end of the year includes the following bonds issued under different series, which were issued the Creditors of AP TRANSCO, for consideration other than cash.

Sl.No.	SERIES	Rupees in Crores
1.	Power Bond Series 1/2002	350.00
2.	Power Bond Series 5/2001	875.59
3.	Power Bond Series 3/2002	285.00
4.	Power Bond Series 1/2003	215.00
	TOTAL	1725.59

3.3.1 Power Bonds Series 1/2000: Rs. 175.10 Crores. (Previous Year Rs.356.97 Crores)

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

3.3.2 Power Bonds Series 2/2000: Rs.266.46 Crores. (Previous Year Rs.505.62 Crores)

The bonds carry a coupon rate of 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 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.182.97 Crores. (Previous Year Rs.433.56 Crores)

The bonds carry a coupon rate of 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 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.222.84 Crores (Previous Year Rs.862.18 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. (Previous Year 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 Bond Series 4/2001: Rs. 293.39 Crores. (Previous Year 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.** (Previous Year 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 1/2002: Rs. 558.04 Crores.** (Previous Year 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 2/2002: Rs. 200.65 Crores.** (Previous Year 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 3/2002: Rs. 498.75 Crores.** (Previous Year 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 1/2003: Rs. 335.75 Crores.** (Previous Year 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 2/2003: Rs. 164.00 Crores.** (Previous Year 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 3/2003: Rs. 392.79 Crores.** (Previous Year 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 4/2003: Rs. 606.00 Crores.** (Previous Year 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.** (Previous Year Rs.519.00 Crores)
 The bonds carry a coupon rate of 7.50% p.a for a tenor of 7 years 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.** (Previous Year 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 Bonds amounting to Rs.31,63,80,372/- is not provided for. This has no effect on Profit & Loss Account as the same is receivable from Govt. of Andhra Pradesh.
5. Balances in No Lien Current accounts with the banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is Rs.213,47,30,280/- (last year Rs.113,17,73,305/-) against which cheques have already been dispatched to the Bondholders.
6. **LOANS TO THE GOVERNMENT OF ANDHRA PRADESH:**
 Up to the year ending 31-3-2006, the Funds mobilized by the issue of Bonds after redemption of Rs.6348,50,00,000/- (Pervious year Rs. 7659,46,00,000/-) and Term Loan taken from Canara Bank amounting Rs.250,00,00,000/- (Previous Year Rs.- NIL-) and Loans given to Government of Andhra Pradesh were Rs.6598,50,00,000/- (Previous year Rs.7659,46,00,000/-).
 Out of the above, the Bonds issued for consideration other than cash were Rs.1725,59,00,000/-, which were on account of the creditors of APTRANSCO.



7. Contingent Liabilities – Nil (Previous – NIL-)
8. Depreciation on the following assets was not provided during the year, as the said assets belongs to the Government of Andhra Pradesh:

Office Equipment	Rs. 18,500/-
Furniture & Fittings	Rs. 11,996/-
9. Other information required to be disclosed as per paragraphs 3 and 4 of the Schedule VI to the Companies Act 1956 is either 'NIL' or 'NOT APPLICABLE' in the case of this company.
10. Previous Years figures have been regrouped/reclassified wherever considered necessary to conform to this years classification.

For KARVY & COMPANY
Chartered Accountants

Sd/-
(K. AJAY KUMAR)
PARTNER

For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director

Place: Hyderabad
Date : 25-09-2006

BALANCE SHEET ABSTRACT AND COMPANY GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No. 34911-00-2001

State Code 01

Balance Sheet Date: 31-03-2006

II. Capital raised during the year:

Public Issue : NIL Rights Issue: NIL

Bonus Issue : NIL Capital Raised 200.20Lakhs

III. Position of mobilisation and deployment of funds: (Amount Rs. In lakhs)

Total Liabilities : 662750.21 Total Assets: 662750.21

Source of funds

Paid up Capital : 2900.21 Secured Loans Nil

Reserves & Surplus Nil Unsecured Loans 659850.00

Share Application Money Nil

Application of funds

Net Fixed Assets 2.63 Investments Nil

Net Current Assets 662547.38 Misc.Exp. 200.20

Accumulated Loss Nil

IV. Performance of the Company:

Turnover/Receipts 13.52 Total Exp. 83488.43

Exp.Trfd to AP Govt. 83474.91 Profit After Tax Nil

Earnings per share Nil Dividend @ % NIL

V. Generic names of the principal products:

ITC Code No.

As per our report of even date

For and on behalf of the Board

For KARVY & COMPANY
Chartered Accountants

For ANDHRA PRADESH POWER
FINANCE CORPORATION LTD.,

Sd/-
(K. AJAY KUMAR)
PARTNER

Sd/-
K.Devanand, IAS
Managing Director

Sd/-
G.Parthasarathi
Director

Place: Hyderabad
Date : 25-09-2006