

**ANDHRA PRADESH POWER FINANCE
CORPORATION LIMITED**



Annual Report for 2006-2007

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BOARD OF DIRECTORS

- | | | | |
|----|------------------------------------|-------------------|-------------------|
| 1. | SRI P.RAMAKANTH REDDY, IAS | Chairman | |
| 2. | SMT. RACHEL CHATTERJEE, IAS | Director | |
| 3. | SRI A.K. GOYAL, IAS | Director | |
| 4. | SRI AJAY JAIN, IAS | Director | |
| 5. | SRI A. GIRIDHAR, IAS | Director | (Upto 25-04-2007) |
| 6. | SRI DINESH KUMAR, IAS | Director | (From 25.04.2007) |
| 7. | SRI G. PARTHASARATHI | Director | |
| 8. | SRI K. DEVANAND, IAS | Managing Director | (Upto 07-07-2007) |
| 9. | SRI S.G. SOLOMON | Managing Director | (From 07-07-2007) |

REGISTERED OFFICE :

ANDHRA PRADESH SECRETARIAT
HYDERABAD - 500 022.

AUDITORS :

M/S.KARVY & COMPANY
CHARTERED ACCOUNTANTS
No. 2, Bhooma Plaza, Street No. 4,
Avenue 7, Banjara Hills;
Hyderabad - 500 034.

BANKERS :

STATE BANK OF HYDERABAD
Gunfoundry, Abids,
HYDERABAD - 500 001.

DIRECTORS' REPORT

To
The Members

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

Your Directors have pleasure in presenting the Seventh Annual Report on the operations of the Company together with the Audited statement of Accounts for the year ended 31st March 2007.

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. India achieved a GDP growth rate of 9.40% for the year 2006-07 and targeted to clock a GDP growth rate of 9% for the eleventh plan as against 7.6% in the tenth plan. The economic boom will fuel power demand at a faster pace. The power sector has to cope with the demand and facilitate the unprecedented economic growth.

The country today has about 1,35,000 MW of Installed Capacity. However, there is energy shortage of 7.9% amounting to about 19 million units and peaking shortage of 13.4% amounting to 13,686 MW. Accordingly, the Government has set a capacity addition target of 78,577 MW during the Eleventh Plan and the capacity addition target is expected to be about 82,200 MW in the Twelfth Plan.

In order to facilitate the rapid growth of the power sector and to remove the road blocks and bottlenecks, an enabling framework has been created. The Electricity Act, 2003, the National Electricity Policy, the National Tariff Policy, Rural Electrification Policy, guidelines for competitive bidding, grid code, multi-year tariff regulations, Ultra Mega Power Projects Scheme and the Integrated Energy Policy are now in place.

In order to meet this target of capacity addition and the associated transmission and distribution set up, we need to galvanise investment, 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 2007 were Rs.5390.24 Crores.

The Company incurred expenditure including interest on Power Bonds at Rs.694.27 Crores and the same was transferred to the Government for reimbursement.

POWER BONDS

The amount of Power Bonds outstanding as at 31st March, 2007 was Rs.4972.74 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 Dinesh Kumar, I A S, Principle Secretary to Government (IF), Finance Department in place of Sri A Giridhar, I A S and Sri S G Solomon, Joint Secretary to Government, Energy Department has been appointed as Director and Managing Director of the Company in place of Sri K Devanand, I A S. The Board placed on record its warm appreciation of the valuable contributions made by Sri A Giridhar, I A S and Sri K Devanand, I A 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 2007-08.

C & A.G. Comments

The NIL comments reports of the Comptroller & Auditor General of India on the Annual Accounts for the year ended 31st March, 2007, will be circulated to the members and laid at the ensuing Annual General Meeting for adoption of Annual Accounts for the year, 2006-07.

AUDIT COMMITTEE

The Audit committee has been reconstituted on 11th July, 2007 with Sri A K Goyal, I A S and Sri S G Solomon as Members and Sri P Ramakanth Reddy, I A S as Chairman of the Committee, consequent on appointment of Sri S G Solomon as Managing Director in place of Sri K Devanand, I A 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, 2007, 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, 2007.
- (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/-

(P. RAMAKANTH REDDY)

Chairman

Place : Hyderabad.

Date : 27-09-2007

AUDITOR'S 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, 2007 the profit and loss Account and Cash Flow Statement 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 statement 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 statement. 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 in paragraph 2 above, we report that
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books of the company.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with this report are in agreement with the books of account;
 - d) In our opinion, Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as 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 accounts, read together with the Company's Accounting Policies and Notes hereto, 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, 2007;
 - ii) in the case of the Profit and Loss Account for the year ended on that date; and
 - iii) in the case of Cash Flow Statment, of the cash flows for the year ended on that date.

for **KARVY & COMPANY**
Chartered Accountants

Sd/-
(K. Ajay Kumar)
Partner
M. No. 21989

Place : Hyderabad
Date : 29-08-2007

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) As explained to us, certain fixed assets were transferred to Govt. of Andhra Pradesh, except this no fixed were disposed off during the year.
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, clause 4(iii) (a) to 4(iii)(g) of the Order is 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. In our opinion, the company has 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 the time being.
(b) According to the records of the company and information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, investor Education and Protection Fund, Employees' State Insurance, income tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year, to the extent applicable. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31", 2007 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 Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year, to the extent applicable, 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 (xlii) 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 they 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.
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

Date : 29-08-2007

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, HYDERABAD, FOR THE YEAR ENDED 31 MARCH 2007.

The preparation of financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 August 2007.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2007. 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. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors report under section 619(4) of the Companies Act, 1956.

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

Place : Hyderabad
Date : 27-09-2007

Sd/-
(P.J. MATHEW)
Accountant General (C&RA)

Balance Sheet As at 31st March, 2007

PARTICULARS	Schedule No.	As at 31-3-2007 Rupees	As at 31-3-2006 Rupees
I SOURCE OF FUNDS :			
1 SHARE HOLDERS FUNDS :			
Share Capital	1	290020700	290020700
II LOAN FUNDS :			
Unsecured Loans	2	53902400000	65985000000
TOTAL		54192420700	66275020700
II APPLICATION OF FUNDS :			
1 FIXED ASSETS :			
Gross Block		379828	414407
Less: Depreciation	3	187919	151657
NET BLOCK		<u>191909</u>	<u>262750</u>
2 CURRENT ASSETS, LOANS & ADVANCES :			
CASH & BANK BALANCES	4	20192505	23903422
LOAN TO AP GOVERNMENT		53902400000	65985000000
LOANS ,ADVANCE & RECEIVABLES	5	271681646	2469683805
OTHER ADVANCES (ADB-AGM)	6	0	29972103
Total Current assets		<u>54194274151</u>	<u>68508559330</u>
Less: Current Liabilities & Provisions	7	2045360	2253821380
Net Current Assets		<u>54192228791</u>	<u>66254737950</u>
III MISCELLANEOUS EXPENDITURE :			
(To the extent not written off or adjusted)			
Preliminary Expenses		0	20020000
TOTAL		<u>54192420700</u>	<u>66275020700</u>
NOTES ON ACCOUNTS	8		

As per Audit Report of even date

For **KARVY & COMPANY**
Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

Sd/-
(K. Ajay Kumar)
Partner

Sd/-
S.G. Solomon
Managing Director

Sd/-
G. Parthasarathi
Director

Place : Hyderabad

Date : 29-08-2007

Profit and Loss Account for the year ended 31-3-2007

PARTICULARS	Year Ended 31-03-2007	Year Ended 31-03-2006
INCOME :		
Interest on TDR	1503520	1352262
TOTAL INCOME	1503520	1352262
EXPENDITURE :		
Interest on Bonds	6647733368	8291682533
Interest on Term Loan	266150847	4383562
Interest on Application money	0	134476
Stamp Duty on Bonds	0	41857500
Rating fee (survelience fee)	1683600	1653000
Trustee fees to SBH	5000000	5000000
NSE Listing fee	700000	700000
Bond servicing Exp.	140088	223711
Filing fees	5580	4000
etds filing fee	8424	0
Registrar fees	0	55100
Custodial Service fee	67344	58626
Consultant fees	132000	172800
Accounting services fees	47360	72803
Advertisement Expenses	1457581	1993420
Printing & Stationary	50145	106690
Postage & Telegrams	960	425
Vehicle Hire Charges	226235	297103
Conveyance	0	1980
Company secretary charges	53880	46284
Consultancy charges	16224	0
Establishment charges	0	124950
Folio maintenance charges	73142	177729
Travelling Expenses	0	543143
Telephone charges	40137	81536
General Expenses	0	20275
Hotel Expenses	0	222127
Incometax Consultancy fees	0	5612
Office expenses	21506	38616
Bank Charges	0	442
Books and periodicals	0	7793
Salaries-Accountant	474969	278477
Auditors Remuneration:		
- As Auditors	22677	22729
Meeting Expenses	0	79928
Depreciation	40092	35748
Logo Designing Charges	0	20000
Remuneration to Managing Director	48826	79182
Asset Written off	7339	0
Preliminary expenses written off	20020000	0
TOTAL EXPENDITURE	6944222324	8350182300
Less: Grant from AP Govt towards expenditure (ADB-AGM)	0	1339281
TOTAL EXPENDITURE	6944222324	8348843019
Net Expenditure Transferred to A.P.Govt.	(6942718804)	(8347490757)

As per Audit Report of even date

For **KARVY & COMPANY**
Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

Sd/-
(K. Ajay Kumar)
Partner

Sd/-
S.G. Solomon
Managing Director

Sd/-
G. Parthasarathi
Director

Place : Hyderabad
Date : 29-08-2007

**Schedule forming part of Balance Sheet and Profit & Loss A/c**

PARTICULARS	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED SHARE CAPITAL : (30,00,00,000 Equity Shares of Rs.100 each)	30000000000	30000000000
ISSUED & PAID UP SHARE CAPITAL 29,00,207 Equity Shares of Rs.100/- each Fully paid up	290020700	290020700
SCHEDULE - 2		
UNSECURED LOANS		
1/2000 Bond issue 1st series	1751000000	1751000000
2/2000 Bond issue 2nd Series	2561000000	2561000000
1/2001 Bond issue 3rd Series	1600900000	1600900000
2/2001 Bond issue 4th Series	1248900000	2228400000
3/2001 Bond issue 5th Series	1542500000	3424500000
4/2001 Bond Issue 6th Series	1257000000	2933900000
5/2001 Bond Issue 7th Series	711900000	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
Cumulative Bonds		
2/2000 Bond issue 2nd Series	1036000000	1036000000
1/2001 Bond issue 3rd Series	2288000000	2288000000
	49727400000	63485000000
Unsecured Loan from Banks :		
Term Loan -Canara Bank	4175000000	2500000000
TOTAL	53902400000	65985000000

Sd/-
S.G. Solomon
Managing Director

Sd/-
G. Parthasarathi
Director

SCHEDULE - 3 Schedule of Fixed Assets as at 31st March, 2007 (Amount in Rupees)

Sl. No.	Description	Gross Block			Depreciation			Net Block			
		As at 1-4-2006	Rate of Dep. %	Additions (Deletion)	As At 31-03-07	As at 1-4-2006	Adj. for the year	for the year	As at 31-3-07	As at 31-3-07	As at 31-3-2006
1	Plant & Machinery	124,790	7.07	(10,000)	114,790	42,888	(3,535)	8,116	47,469	67,321	81,902
2	Computer System	157,129	16.21	-	157,129	96,131	-	25,471	121,602	35,527	60,998
3	Office Equipments	74,162	6.33	(1,170)	72,992	10,722	(296)	4,620	15,046	57,946	63,440
4	Furniture & Fixtures	27,830	6.33	7,087	34,917	1,916	-	1,886	3,802	31,115	25,914
5	Off. Equip. (ADB-AGM)	18,500	6.33	(18,500)	-	-	-	-	-	-	18,500
6	Furniture & Fixture (ADB-AGM)	11,996	6.33	(11,996)	-	-	-	-	-	-	11,996
	Totals	414,407		(34,579)	379,928	151,657		40,093	187,919	191,909	262,750
	Previous Year	316,568		97,839	414,407	115,909		35,748	151,657	262,750	200,659

Sd/-
S.G. Solomon
 Managing Director

Sd/-
G. Parthasarathi
 Director



Schedule forming part of Balance Sheet and Profit & Loss A/c

PARTICULARS	As at 31-3-2007	As at 31-3-2006
SCHEDULE - 4		
Cash & Bank Balances		
Cash in Hand	1349	1637
Cash in Hand - ADB AGM	0	1899
Balances with Scheduled Bank		
- In Current Account - SBH	191077	120755
- In ADB AGM - Andhra Bank	79	3779131
- In Fixed Deposits Account	20000000	20000000
TOTAL	20192505	23903422
SCHEDULE - 5		
LOANS ,ADVANCE & RECEIVABLES		
Other Receivables from AP Govt.	271657673	2469668353
Interest Receivable from fixed deposit	23973	15452
TOTAL	271681646	2469683805
SCHEDULE - 6		
OTHER ADVANCES (ADB-AGM)		
Tour Advance	0	72103
Cyberabad Society - Hitex (ADB-AGM)	0	26400000
Police Security (ADB-AGM)	0	3500000
TOTAL	0	29972103
SCHEDULE - 7		
CURRENT LIABILITIES & PROVISIONS		
Interest accrued but not due on Bonds	0	2218108105
Grant In aid for ADB -AGM	0	33615107
Liabilities For Expenses	2045360	2098168
TOTAL	2045360	2253821380

Sd/-
S.G. Solomon
Managing Director

Sd/-
G. Parthasarathi
Director

Schedule forming part of Balance Sheet and Profit & Loss A/c

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	11123	3708
Advt. Expenses Payable	458794	356337
Audit Fee Payable	21454	21454
Company Secretary Charges payable	4238	2258
Consultant fee payable	13600	13400
Folio Maintenance charges payable	0	171727
Bond Servicing Exp's payable	134658	18763
MD Remuneration Payable	3004	2655
Printing & stationery Payable	9000	546
Salaries Payable	78804	29877
Taxation Charges Payable	31542	31542
Telephone Charges Payable		2682
Trustee fee payable	1179875	1179875
Vehicle hire charges payable	19306	13720
TDS Payable	79962	81501
TOTAL	2045360	2098168

Sd/-

S.G. Solomon
 Managing Director

Sd/-

G. Parthasarathi
 Director

SCHEDULE - 8**SIGNIFICANT ACCOUNT POLICIES AND NOTES TO ACCOUNTS :****I. 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 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.

II Notes on Accounts :

1. Contingent Liabilities not provided for - NIL - (Previous year -NIL-)
2. Capital commitment not provided for (net of advances) - NIL- (Previous Year -NIL-)
3. Andhra Pradesh Power Finance Corporation Limited (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.
4. **UNSECURED LOANS :** Rs.5390,24,00,000/- (last year Rs.6598,50.00,000/-).
 - 4.1. The company has issued Bonds under various series styled "POWER BONDS" during the previous years 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.
- 4.2. 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	7.00
3.	Power Bond Series 3/2002	285.00
4.	Power Bond Series 1/2003	215.00
	TOTAL	857.00

4.2.1 Power Bonds Series 1/2000 : Rs.175.10 Crores. (Previous Year Rs.175.10 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.

4.2.2 Power Bonds Series 2/2000 : Rs.266.46 Crores. (Previous Year Rs.266.46 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.

4.2.3 Power Bonds Series 1/2001: Rs.182.97 Crores. (Previous Year Rs.182.97 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.

4.2.4 Power Bond Series 2/2001: Rs.124.89 Crores (Previous Year Rs.222.84 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.

4.2.5 Power Bond Series 3/2001 : Rs. 154.25 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.

4.2.6 Power Bond Series 4/2001 : Rs. 125.70 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.

4.2.7 Power Bond Series 5/2001 : Rs.71.19 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.7.00 Crores.

4.2.8 Power Bond Series I/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

4.2.9 Power Bond Series II/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.

4.2.10 Power Bond Series III/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

4.2.11 Power Bond Series I/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

4.2.12 Power Bond Series II/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.

4.2.13 Power Bond Series III/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.

4.2.14 Power Bond Series IV/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.

4.2.15 Power Bond Series I/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.

4.2.16 Power Bond Series I/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.

4.3 The Company, during the year, has taken an unsecured loan of Rs.250.00 Crores (Rs.500.00 Crores including that of previous year) from Canara Bank, for the purpose of onward lending to M/s. APTRANSCO 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, interest, costs, charges etc.

5. Change in Accounting Policy :

During the year the company has changed the accounting policy with respect to 'interest accrued but not due' on regular bonds. Earlier the company used to provide for 'interest accrued but not due' as on the date of balance sheet. However, this change in the method of accounting has no effect on the Profit & Loss Account, as the same is receivable from Govt. of Andhra Pradesh. The interest accrued but not due, thus, not accounted during the year is Rs.181,54,79,404/-.

6. Interest accrued but not due on regular bonds amounting to Rs.181,54,79,404/- is not provided in the 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.
- b) Interest is not expenditure to the corporation and the same is reimbursable by the A.P. State Government.

7. Interest on cumulative Bonds amounting to Rs.40,57,15,063/- is not provided due to the following reasons :

- a) The interest is due and payable only on maturity of the Bonds as per the terms of the offer document.
- b) The quantum of interest due to a bondholder cannot be ascertained, as they are tradable bonds.
- c) The tax due payable by a bondholder cannot be deducted at source as the quantum of interest cannot be determined.
- d) Interest is not expenditure to the corporation and the same is reimbursable by the A.P. State Government.

8. Balances in No Lien Current accounts with the banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is Rs.108,86,72,296/- (last year Rs.213,47,30,280/-) against which cheques have already been dispatched to the Bondholders.

9. Loans to the Government of Andhra Pradesh :

Upto the year ending 31-03-2007, the Funds mobilized by the issue of Bonds (net of redemption) amounting to Rs.4972,74,00,000/- (Previous year Rs.6348,50,00,000/-) and Term Loan (net of repayments) taken from Canara Bank of Rs.417,50,00,000/- (Previous year Rs.250,00,00,000/-) were shown as given to Govt. of Andhra Pradesh.

Out of the above, the Bonds issued for consideration other than cash were Rs.857,00,00,000/-, which were on account of the creditors of APTRANSCO.

10. Managerial Remuneration :

Particulars	Managing Director	
	2006-07 Rs.	2005-06 Rs.
Salaries, Allowances	--	--
Contribution to Provident Fund and welfare Fund	--	--
Others	48,826/-	79,182/-

11. During the year, the entire Preliminary Expenses amounting to Rs.2,00,20,000/- which were not written off in the previous years have been written off.
12. During the year, to the extent information provided by the suppliers, the company has not entered in to any transactions either with Small Scale Industries or any other enterprises which come under the per view of Micro, Small and Medium Enterprises Development Act, 2006.
13. As required under the Accounting Standard-22 on Accounting for Taxes on income issued by the Institute of Chartered Accountants of India, the Provision of deferred tax liability/asset is not accounted, as the operations of the company did not result in Profit/Loss.
14. Previous Years figures have been regrouped/reclassified wherever considered necessary to conform to this year's classification.
15. 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.

For **KARVY & COMPANY**
Chartered Accountants

**FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD**

Sd/-
(K. Ajay Kumar)
Partner

Sd/-
S.G. Solomon
Managing Director

Sd/-
G. Parthasarathi
Director

Place : Hyderabad
Date : 29-08-2007

**ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007**

PARTICULARS	31st March, 2007 Rupees	31st March, 2006 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	-	-
Adjustments for :		
Depreciation & Assets written off	47,432	35,748
Interest Income	(1,503,520)	(1,352,262)
Interest on Borrowings	(266,150,847)	(4,383,562)
Preliminary Expenses written off	20,020,000	-
Operating Profit Before Working Capital Changes	(247,586,935)	(5,700,076)
Adjustments for :		
Trade and Other Receivables	14,310,604,758	10,787,813,675
Trade Payables and Other Liabilities	(2,251,776,020)	(174,527,961)
Increase/(Decrease) in Net Current Assets	12,058,828,738	10,613,285,714
Net Cash From Operating Activities	11,811,241,803	10,607,585,638
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(7,087)	(97,839)
Interest Received	1,503,520	1,352,262
Net Cash Used In Investing Activities	1,496,433	1,254,423
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (Net)	(12,082,600,000)	(10,609,600,000)
Interest Paid on borrowings	266,150,847	4,383,562
Net Cash used in financing Activities	(11,816,449,153)	(10,605,216,438)
Net Increase in Cash and Cash Equivalents (A+B+C)	(3,710,917)	3,623,623
Cash and Cash Equivalents at the beginning the year	23,903,422	20,279,799
Cash and Cash Equivalents at the end of the year	20,192,505	23,903,422
	(3,710,917)	3,623,623

For **KARVY & COMPANY**
Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

Sd/-
(K. Ajay Kumar)
Partner

Sd/-
S.G. Solomon
Managing Director

Sd/-
G. Parthasarathi
Director

Place : Hyderabad
Date : 29-08-2007

**ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED****Balance Sheet Abstract & Company's General Business Profile**

(Submitted in terms of Part IV of the Schedule VI to the Companies Act, 1956)

I Registration Details :

Registration No.	34911	State Code	01
Balance Sheet Date :	31.03.2007		

II Capital raised during the year

(Amount in Rs. '000)

Public Issue	Nil	Rights Issue	Nil
Total Liabilities	54192421	Total Assets	54192421

Sources of funds

Paid up capital	290021	Reserves & Surplus	Nil
Secured loans	Nil	Unsecured loans	53902400

Application of funds

Net fixed assets	192	Investments	Nil
Net current assets	54192229	Misc. Asset.	Nil

Accumulated losses**IV. Performance of company**

(Amount in Rs. '000)

Turnover	1504	Total expenditure	6944222
Profit / Loss before Tax	Nil	Profit / Loss After Tax	Nil
Earnings per share in Rs.	Nil	Dividend Rate %	Nil

V. Generic names of three principle products/services of company

(As per monetary terms)

Item Code No. (I.T.C. Code)

Production description

NBFC

For **KARVY & COMPANY**
Chartered Accountants

FOR ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

Sd/-
(K. Ajay Kumar)
Partner

Sd/-
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Director

Place : Hyderabad
Date : 29-08-2007