

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED



Annual Report for 2010-2011

Andhra Pradesh Power Finance Corporation Limited

403, 'L' Block, Andhra Pradesh Secretariat, Hyderabad - 500 022.

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CONTENTS

Board of Directors	2
Directors' Report	3
Report on Corporate Governance	6
Auditors' Report	7
Annexure to the Audit Report	8
Comments of C & AG	10
Balance Sheet	11
Profit and Loss Account	12
Schedules to Balance Sheet	13
Cash Flow Statement	20



BOARD OF DIRECTORS

- | | | | |
|----|---------------------------------------|-------------------|-------------------|
| 1. | SRI G SUDHIR, IAS | Chairman | |
| 2. | SRI SUTIRTHA BHATTACHARYA, IAS | Director | |
| 3. | SMT.VASUDHA MISHRA, IAS | Director | |
| 4. | SRI K VIJAYANAND, IAS | Director | |
| 5. | SRI AJAY JAIN, IAS | Director | |
| 6. | SRI D.MURALI MOHAN, IIS | Managing Director | |
| 7. | SRI MUNINDRA, IFS | Managing Director | (From 19.02.2011) |

REGISTERED OFFICE :

ANDHRA PRADESH SECRETARIAT
HYDERABAD - 500 022.

STATUTORY AUDITORS :

P.S.N. Ravishanker & Associates
CHARTERED ACCOUNTANTS
Flat No. 205, II Floor, B-Block, Kushal Towers,
Khairatabad, Hyderabad - 500 004.

REGISTRARS & BOND TRANSFER AGENTS

M/s.KARVY Computershare Pvt. Ltd.
17-24, Vittal Rao Nagar, Madhapur,
HYDERABAD - 500 001.

TRUSTEES & BANKERS :

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

LISTING OF BONDS :

NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai - 400 001.



DIRECTORS' REPORT

To

The Members

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

Your Directors have pleasure in presenting the 11th Annual Report on the operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2011.

THE ECONOMY

The Indian economy during fiscal 2011 has been characterized by robust economic growth and steady fiscal consolidation. Inflation continues to be high even though it has come down significantly from where it was at the start of the fiscal year.

As per the latest information (Advance Estimates) of National Income for 2010-11 (at constant 2004-05 prices), released by the Central Statistical Organization, the growth of Gross Domestic Product (GDP) at factor cost is estimated at 8.60% in 2010-11. There has been broad based recovery in economic growth during 2010-11.

INDUSTRY SCENARIO

One of the major requirements for sustainable and inclusive economic growth is an efficient infrastructure network. It is critical for the effective functioning of the economy and industry. The key to global competitiveness of the Indian economy lies in building a high class infrastructure. Power is the most critical amongst all Infrastructure facilities. Of the USD 500 billion investment in infrastructure required during the 11th plan, power is the largest head, accounting for about a third of the overall fund requirement. Investment requirements will only increase in the 12th plan, as demand for power grows.

Power sector in the country is undergoing crucial changes in terms of huge capacity addition, higher efficiency and increased private power participation, competitive pricing and improved regulatory framework. Power requirement in India is expected to grow manifold in the coming years as a result of industrial and urban expansion. In recent years the country had identified an impressive growth in capacity addition & infrastructure in transmission. The recent capacity additions in both generation and transmission in Power sector necessitates huge capex as well as working capital. This will surely encourage the role of Power Finance Corporations.

FINANCIAL RESULTS

Particulars	For the year ended 31st March, (Rupees in Crores)	
	2011	2010
Income	318.47	303.52
Expenditure	318.47	303.52
Profit / (Loss) Before Tax	-	-
Provision for Tax- FBT	-	-
Profit / (Loss) After Tax	-	-
Balance brought forward from previous year	-	-
Balance carried to Balance Sheet	-	-

OPERATIONS

During the year the company has raised power bonds of Rs.1053.30 crores. The cumulative advances made for financing the requirements of power sector as on 31st March 2011 were Rs. 2710.20 crores as against Rs. 2846.33 crores in previous year. The Company incurred expenditure of Rs. 318.47 crores during the year as against Rs. 303.52 crores in the previous year.

**POWER BONDS**

The amount of Power Bonds outstanding as at 31st March, 2011 was Rs. 2604.20 crores as against Rs. 2704.33 crores in the previous year and the servicing of the same is regular and up to date.

The Company has redeemed Power Bonds for an aggregate amount of Rs 1153.43 crores on exercising Call Option and Put Option as per terms of the issue of the same during the year.

MOBILIZATION OF FUNDS

Your Board of Directors Meeting had, in their meeting held on 20.07.2011, resolved that the company will mobilize funds by issuing A.P. Power Bonds (Series 1/2011) at a issue size of Rs.500 crores with Green Shoe option to retain over- subscription for another Rs. 500 crores.

DIRECTORS

Changes in Directorships during the year :

S. No.	Name of the Appointee	Designation	In the place of	Date of event
1	Sri. Munindra, IFS	Managing Director	Sri. D Murali Mohan, IIS	19.02.2011
2	Smt. Pushpa Subrahmanyam, IAS	Nominee Director	Smt. Vasudha Mishra, IAS	01.07.2011
3	Sri.V Bhaskar, IAS	Nominee Director	Sri.G Sudhir, IAS	01.07.2011
4	Sri. Dinesh Kumar, IAS	Nominee Director	Sri. Sutirtha Bhattacharya, IAS	16.08.2011

AUDITORS

M/s P S N RAVISHANKER AND ASSOCIATES, Chartered Accountants, Hyderabad were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2011-12.

C & A G COMMENTS

The NIL comments Report of the Comptroller & Auditor General of India on the Annual Accounts for the year ended 31st March, 2011, has been received vide Lr.No. AG(C&RA)/CAW(P)/PFC/Accts/2011-12/137, Dated. 21-09-2011, will be circulated to the members and laid at the ensuing Annual General Meeting for adoption of Annual Accounts for the year, 2010-11.

AUDIT COMMITTEE

The Audit Committee of the Board was reconstituted on 24th February, 2011 with:

1. Sri. G. Sudhir, IAS - Chairman
2. Sri. Sutirtha Bhattacharya, IAS - Member
3. Sri. Ajay Jain, IAS - Member

The Audit Committee of the Board was further reconstituted on 20th July, 2011 with:

1. Sri. V. Bhaskar, IAS - Chairman
2. Sri. Sutirtha Bhattacharya, IAS - Member
3. Sri. Ajay Jain, IAS - Member

The Audit Committee of the Board was further reconstituted on 9th September, 2011 with:

1. Sri. V. Bhaskar, IAS - Chairman
2. Sri. Dinesh Kumar, IAS - Member
3. Sri. Ajay Jain, IAS - Member

RISK MANAGEMENT COMMITTEE

The Risk Management Committee of the Board was reconstituted on 24th February, 2011 with:

1. Sri. Sutirtha Bhattacharya, IAS - Chairman
2. Smt. Vasudha Mishra, IAS - Member
3. Sri. Ajay Jain, IAS - Member
4. Sri. Munindra, IFS - Member



The Risk Management Committee of the Board was further reconstituted on 20th July, 2011 with:

1. Sri. Sutirtha Bhattacharya, IAS - Chairman
2. Smt. Pushpa Subrahmanyam, IAS - Member
3. Sri. Ajay Jain, IAS - Member
4. Sri. Munindra, IFS - Member

The Risk Management Committee of the Board was further reconstituted on 9th September, 2011 with:

1. Sri. Dinesh Kumar, IAS - Chairman
2. Smt. Pushpa Subrahmanyam, IAS - Member
3. Sri. Ajay Jain, IAS - Member
4. Sri. Munindra, IFS - Member

DISCLOSURES

i) **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Conservation of Energy : The Company is not engaged in manufacturing operation. Further it requires energy for lightening equipment, which is not energy intensive. However, adequate measures have been taken to reduce energy consumption, wherever possible.

Technology Absorption : As the Company is not engaged in any manufacturing activity, the question of Technology absorption does not arise.

Foreign Exchange Earnings & Outgo :-Nil-

- 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

- (i) that in the preparation of the annual accounts for the year ended March 31, 2011, 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, 2011.
- (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.

PUBLIC DEPOSITS

During the year under review, the Company has neither invited nor accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

SECRETARIAL COMPLIANCE CERTIFICATE

The Company has obtained Secretarial Compliance Certificate from a Company Secretary in whole-time practice for the year ended 31st March, 2011 and a copy of the same is annexed hereto.

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

Place : Hyderabad.

Date : 29-09-2011

(V. Bhaskar, IAS)
Chairman

**REPORT ON CORPORATE GOVERNANCE****COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE**

Your Company has always been committed to executing sustainable business practices and creating long term value for all its shareholders. It has always remained as a responsible Corporate Citizen which always strive to protect the interest of its share owners. To pursue these objectives, all the business operations of the company are conducted on principles of transparency, fairness, integrity, accountability while maintain legal and ethical standards

CORPORATE GOVERNANCE PRACTICES FOLLOWED :**BOARD OF DIRECTORS**

i) The Board of the Company comprises of Six Directors, all are Nominees of Govt. of Andhra Pradesh. Five Directors are independent Directors and the Chairman being Non-Executive & Independent Director.

ii) Seven Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

25.06.2010, 11.08.2010, 07.09.2010, 30.09.2010, 05.10.2010, 26.10.2010 and 24.02.2011

AUDIT COMMITTEE

The Audit Committee of the Company is constituted in line with the provisions of Section 292A of the Companies Act, 1956.

a. *Brief description of terms of reference.*

- Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board.
- Investigate any activity within its terms of reference.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing with management the annual financial statements.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Reviewing the Company's financial and risk management policies.
- Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

b. *The present composition of the Audit Committee is as follows*

- | | | | |
|----|------------------------|---|----------|
| 1. | Sri. V.Bhaskar, IAS | - | Chairman |
| 2. | Sri. Dinesh Kumar, IAS | - | Member |
| 3. | Sri. Ajay Jain, IAS | - | Member |

RISK MANAGEMENT COMMITTEE

The present composition of the Risk Management Committee is as follows

- | | | | |
|----|-------------------------------|---|----------|
| 1. | Sri. Dinesh Kumar, IAS | - | Chairman |
| 2. | Smt. Pushpa Subrahmanyam, IAS | - | Member |
| 3. | Sri. Ajay Jain, IAS | - | Member |
| 4. | Sri. Munindra, IFS | - | Member |



AUDITORS' REPORT

To

The Members of

M/s. 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, 2011 and the Profit and Loss Account and the 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 statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether these financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose a statement on the matters specified in paragraphs 4 and 5 of the said order.
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 of the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008 Under 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 purposes 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 by this report are in agreement with the books of account;
 - d) In our opinion, the 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, except AS-1 relating to Accrual System of Accounting for accrued interest as explained in detail in Point Nos.5 & 6 of the Notes on Accounts;
 - e) In terms of the notification issued by the Department of Company Affairs, Ministry of Corporate Affairs, Government of India, the clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 with regard to the qualification of Directors is not applicable to the Directors of the company, as the company is a Government Company;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the 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, 2011;
 - ii. in the case of the Profit and Loss Account for the year ended on that date of NIL profit / loss (the total expenditure is met / reimbursed by Government of AP and hence the profit & loss account does not reflect any profit / loss); and
 - iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **P.S.N. RAVISHANKER & ASSOCIATES**
Chartered Accountants

(Y. SAI KARUNAKAR)

Partner

M. No. 207033

Place : Hyderabad

Date : 09-09-2011



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. It is reported to us that no material discrepancies were found during the year under review.
(c) As explained to us, substantial part of fixed assets were not disposed off during the year.
2. As the company does not carry inventory of stores and the other materials, being an NBF1, clause 4 (ii) of the said Order is not applicable.
3. The company, being a Government 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, clauses 4 (iii) (a) to 4(iii)(g) of the said 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 furnished to 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, the internal control system, prima facie, appears to be commensurate with the size of the company and nature of its business with regard to purchase of fixed assets, rendering of NBF1 services. During the course of our audit, we have observed that the internal control system with regard to reconciliation of No-Lien Accounts with the Banks for payment of maturity bonds and identification of the unclaimed matured bonds, Principal / Interest, beyond 7 years (which are required to be transferred to Investor Education and Protection Fund) appears to be weak and it needs to be corrected.
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 not accepted any deposits and it has issued series of Bonds secured by Government of Andhra Pradesh, which do not appear to be coming under the purview of 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. The maintenance of cost records U/s. 209(1)(d) does not apply to the company, being an NBF1.
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 is not required to pay any statutory dues including Employees State Insurance, Provident Fund, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with any of the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31st, 2011 for a period of more than six months from the date on which they become payable. However, the amount to be transferred to Investor Education and Protection Fund is to be determined as mentioned under clause 4 above.
(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, which have not been deposited on account of any dispute.
10. As per the information and explanations furnished to us by the Management, the operations of the company are being conducted in such a manner that the total expenditure incurred by the company viz., interest on bonds, loans and other operational expenses is being met / reimbursed by the Government of Andhra Pradesh and hence the operations do not reflect any Profit/Loss in the profit & loss account as disclosed in detail in clause 1(b)(iii) to the notes on accounts, and accordingly clause 4(x) of the said Order does not appear to be applicable to the company.



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 bond holders. The company has not issued any debentures.
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 company borrowed the funds in the form of bonds and same were applied for the purpose for which they were obtained. However, during the year, the company has not obtained any term loans.
17. According to the information and explanations given to us, on overall basis, funds raised on short term basis, prima facie, do not appear to have been used during the year for long term investment or 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. The company has issued bonds to the tune of Rs.1053.30 Crores 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. The company has not issued any debentures.
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

- I. The company is engaged in the business of Non-Banking Financial Institution and it has obtained a Certificate of Registration (CoR) from the Reserve Bank of India under the Provisions of Section 45-IA of the Reserve Bank of India Act, 1934 vide registration No.N-09.00266 dated 25-08-2000.
- II. The company is entitled to continue to hold such CoR in terms of its asset/income pattern as on 31-03-2011.
- III. The company is classified and treated as a Government Company as the Company is wholly owned by the Government of AP. The Company does not, prima facie, appear to come under the purview of "Asset Finance Company" as defined in Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 with reference to the business carried on by it during the applicable financial year 2010-11, as the total funds of the company raised from the issue of bonds of various series are lent to the Government of AP/Government Power Distribution Companies only for their intended onward use for infrastructure development in the power sector.
- IV. The Company has not accepted any deposits and it has issued series of Bonds secured by Government of Andhra Pradesh. These are not covered under the provisions of Section 58A and 58AA of the Companies Act, 1956 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. The company has been regularly paying to its bond holders the interest and /or principal as per due date.

For **P.S.N. RAVISHANKER & ASSOCIATES**
Chartered Accountants

(Y. SAI KARUNAKAR)
Partner
M. No. 207033

Place : Hyderabad
Date : 09-09-2011



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 2011.

The preparation of financial statements of Andhra Pradesh Power Finance Corporation Limited, Hyderabad for the year ended 31 March 2011 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 9th September, 2011.

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 2011. 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 : 21-09-2011

(SADU ISRAEL)
Accountant General (C&RA)



Balance Sheet as at 31st March, 2011

PARTICULARS	Schedule No.		As at 31-3-2011 Rupees		As at 31-3-2010 Rupees
I SOURCE OF FUNDS :					
1 SHARE HOLDERS FUNDS :					
Share Capital	1		290,020,700		290,020,700
II LOAN FUNDS :					
Unsecured Loans	2		27,102,000,000		28,463,300,000
TOTAL			27,392,020,700		28,753,320,700
II APPLICATION OF FUNDS :					
1 FIXED ASSETS :					
Gross Block			447,758		421,378
Less: Depreciation	3		283,809		264,684
NET BLOCK			163,949		156,694
2 CURRENT ASSETS.					
LOANS & ADVANCES :					
Cash & Bank Balances	4		20,226,006		20,079,996
Loan to AP Govt.		16,569,000,000		28,463,300,000	-
Loan to AP DISCOM's Pool Account		10,533,000,000	27,102,000,000		28,463,300,000
Loans, Advances & Receivables	5		274,927,657		271,240,948
Total Current assets			27,397,153,663		28,754,620,944
Less: Current Liabilities & Provisions	6		5,296,912		1,456,938
Net Current Assets			27,391,856,751		28,753,164,006
TOTAL			27,392,020,700		28,753,320,700
NOTES ON ACCOUNTS	7				

As per Audit Report of even date

For P.S.N. Ravishanker & Associates
Chartered Accountants

For ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

(Y. Sai Karunakar)
Partner
M. No. 207033

Munindra, IFS
Managing Director

K. Vijayanand, IAS
Director

Place : Hyderabad

Date : 09-09-2011

**Profit and Loss Account for year ended 31-3-2011**

PARTICULARS	Sch. No.	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
INCOME :			
Interest on Fixed Deposit		1,426,154	1,865,208
Govt. Receipt - for Payment of Interest on Bonds		2,980,700,379	2,875,930,383
Govt. Receipt - for Payment of Interest on Term Loan		116,137,672	147,637,672
Govt. Receipt - Interest on Bonds Application Money		59,724,985	-
Govt. Receipt - Bonds Arrangership Fee		15,516,122	-
Govt. Receipt - Stamp Duty		2,500,000	-
Govt. Receipt - Reimbursement of Expenses incurred		8,676,147	9,770,815
TOTAL INCOME		3,184,681,459	3,035,204,078
EXPENDITURE :			
Interest on Bonds		2,980,700,393	2,875,930,401
Interest on Term Loan		116,137,672	147,637,672
Interest on Bonds Application Money		59,724,985	-
Bonds Arrangership Fee		15,516,122	-
Stamp Duty on Bonds Issued		2,500,000	-
Credit Rating - Surveillance Fee Paid to CRISIL		1,654,500	1,654,500
Trustee Fees to SBH		2,497,171	3,084,408
NSE Listing Fee		676,029	729,581
Bond Servicing Exp.		100,127	76,512
ROC Filing Fee		9,660	5,675
E-tds Filing Fee		4,248	856
Custodial Service Fee Paid to CDSL & NSDL		115,815	110,300
Consultant & Professional Charges		401,621	226,087
Directors' Sitting Fee		46,000	32,000
Advertisement Expenses		2,387,960	4,041,992
Printing & Stationary		38,715	31,888
Postage & Telegrams		2,630	637
Traveling Expenses		278,157	236,400
Folio Maintenance charges		-	157,729
Telephone charges and Internet Expenses		73,351	61,647
Bank Charges		826	4,400
Office Maintenance		14,055	9,942
Board Meeting Expenses		5,506	3,067
Miscellaneous Expenses		7,722	14,083
Salaries		1,575,504	1,026,673
AUDITORS REMUNERATION :			
- For Statutory Auditors		55,150	22,336
- For Internal Auditors		26,472	26,287
- For Tax Auditors		5,515	15,515
Depreciation	3	19,125	15,357
Remuneration to Managing Director		106,428	40,956
Asset Written Off		-	7,177
TOTAL EXPENDITURE		3,184,681,459	3,035,204,078
Net Profit/Loss for the year transferred to Balance Sheet		NIL	NIL

As per Audit Report of even date

For **P.S.N. Ravishanker & Associates**
Chartered Accountants**(Y. Sai Karunakar)**

Partner

M. No. 207033

Place : Hyderabad

Date : 09-09-2011

For **ANDHRA PRADESH POWER FINANCE**
CORPORATION LTD**Munindra, IFS**
Managing Director**K. Vijayanand, IAS**
Director

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

PARTICULARS	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED SHARE CAPITAL: (30,00,00,000 Equity Shares of Rs.100 each)	30,000,000,000	30,000,000,000
ISSUED & PAID UP SHARE CAPITAL 29,00,207 Equity Shares of Rs.100/- each Fully paid up	290,020,700	290,020,700
SCHEDULE - 2		
A) BONDS :		
UNSECURED LOANS		
1/2000 Bond issue 1st Series	-	-
2/2000 Bond issue 2nd Series	-	1,556,500,000
1/2001 Bond issue 3rd Series	-	994,700,000
2/2001 Bond issue 4th Series	365,900,000	613,500,000
3/2001 Bond issue 5th Series	1,123,500,000	1,123,500,000
4/2001 Bond Issue 6th Series	999,700,000	999,700,000
5/2001 Bond Issue 7th Series	585,000,000	585,000,000
1/2002 Bonds Issue 8th Series	665,800,000	665,800,000
2/2002 Bonds Issue 9th Series	473,800,000	473,800,000
2/2003 Bonds Issue 12th Series	-	1,640,000,000
3/2003 Bonds Issue 13th Series	-	1,507,400,000
4/2003 Bonds Issue 14th Series	-	5,582,700,000
1/2004 Bonds Issue 15th Series	5,140,000,000	5,140,000,000
1/2005 Bonds Issue 16th Series	5,972,000,000	5,972,000,000
1/2010 Bonds issue 17th Series	10,533,000,000	-
Cumulative Bonds		
2/2000 Bond issue 2nd Series	9,800,000	13,600,000
1/2001 Bond issue 3rd Series	173,500,000	175,100,000
	26,042,000,000	27,043,300,000
B) Unsecured Loan from Banks :		
Term Loan from Canara Bank	1,060,000,000	1,420,000,000
TOTAL	27,102,000,000	28,463,300,000

For ANDHRA PRADESH POWER FINANCE CORPORATION LTD

Munindra, IFS
Managing DirectorK. Vijayanand, IAS
Director

**SCHEDULE - 3****Schedule of Fixed Assets as at 31st March, 2011** (Amount in Rupees)

Sl. No.	Description	Gross Block				Depreciation				Net Block		
		As at 1-4-2010	Rate of Dep. %	Additions during the year	Deletions during the year	As At 31-03-11	As at 1-4-2010	Adj. for the year	for the year	As at 31-3-11	As at 31-3-11	As at 1-4-2010
1	Office Equipments	139,917	6.33	13,900	-	153,817	75,164	-	9,200	84,364	69,453	64,753
2	Computer Systems	163,429	16.21	12,480	-	175,909	157,145	-	2,454	159,599	16,310	6,284
3	Furniture & Fixtures	118,032	6.33	-	-	118,032	32,375	-	7,471	39,846	78,186	85,657
	Totals	421,378		26,380	-	447,758	264,684	-	19,125	283,809	163,949	156,694
	Previous Year	387,768		41,300	7,690	421,378	249,840	513	15,357	264,684	156,694	137,928

As per Audit Report of even date

For **P.S.N. Ravishanker & Associates**
Chartered AccountantsFor **ANDHRA PRADESH POWER FINANCE CORPORATION LTD****(Y. Sai Karunakar)**
Partner
M. No. 207033**Munindra, IFS**
Managing Director**K. Vijayanand, IAS**
DirectorPlace : Hyderabad
Date : 09-09-2011



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

PARTICULARS	As at 31-3-2011 Rupees	As at 31-3-2010 Rupees
SCHEDULE - 4		
Cash & Bank Balances		
Cash in Hand	24	44
Balances with Scheduled Bank		
- In Current Account with SBH	225,982	79,952
- In Deposits Account with SBH	20,000,000	20,000,000
TOTAL	20,226,006	20,079,996
SCHEDULE - 5		
LOANS, ADVANCE & RECEIVABLES		
Other Receivables from AP Govt.	274,041,498	270,501,421
TDS receivable	864,385	721,719
Interest Receivable from fixed deposit	21,774	17,808
TOTAL	274,927,657	271,240,948
SCHEDULE - 6		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Accounting Charges Payable	7,942	4,947
Advertisement Expenses Payable	378,425	-
Statutory Audit Fee Payable	69,951	20,316
Bond Servicing Exp's Payable	6,809	18,325
Company Secretary Charges Payable	6,750	4,947
Consultancy Charges Payable	47,856	27,515
Internal Audit Fee Payable	23,825	23,825
M.D. Remuneration Payable	11,182	3,062
Salaries Payable	1,498,464	583,013
Stamp Duty Payable	2,500,000	-
TDS Payable	93,980	91,697
Telephone and Internet Expenses Payable	5,076	5,092
Trustee Fee Payable	624,563	654,905
Vehicle Hire Charges Payable	22,089	19,294
TOTAL	5,296,912	1,456,938

**SCHEDULE - 7****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS :**

Andhra Pradesh Power Finance Corporation Limited (APFCL) was incorporated, pursuant to the Andhra Pradesh GO (Government Order). Ms. No. 54 dated 19.05.2000, as a Government Company under the Companies Act 1956, on 12 July, 2000 and had commenced its business on 13 July, 2000 and also obtained the Certificate of Registration from the Reserve Bank of India as a Non-Banking Financial Institution under the Reserve Bank of India Act, 1934 vide letter No. DNBS(H) NO. 714/04.039/2000-2001, dated August 25, 2000. The main objects of the Company includes providing Long Term Finance to the Enterprises wholly engaged in the business of developing, maintaining and operating of Power, including but not limited to generating, transmission, distribution facility or any other infrastructure facility coming under the purview of section 10(23G) of the IT Act.

1. Significant Accounting Policies :**a. Basis of Accounting :**

- i. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- ii. The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis, except the accrued interest on bonds / Loan to the Government which is accounted for on payment / receipt basis.
- iii. The Government Receipts in the form of Interest for the payment of interest on bonds of Rs.298.07 Crores (Previous year Rs. 287.59 Crores), Interest on term loan Rs.11.61 Crores (Previous Year : Rs. 14.76 Crores), Interest on Bonds Application Money of Rs. 5.97 Crores (Previous Year : NIL), Arrangers' Fee Rs. 1.55 Crores (Previous Year : NIL), Stamp Duty Rs. 0.25 Crores (Previous Year : NIL), and Reimbursement of expenses incurred by the company on behalf of the Government Rs. 0.87 Crores (previous year : Rs.0.97 Crores) have been depicted separately both under the heads of 'Income' and 'Expenditure' in the profit & loss account, which is met / reimbursed by the Government of AP.

b. Revenue Recognition :

- i. The Company recognizes income on the loans given to the Government of Andhra Pradesh, out of the various series of Bonds issued by the company on receipt basis, and the same is shown as interest income in the Profit & Loss account.
- ii. The expenditure incurred by the company viz., interest and other operating expenses is reimbursed by the Government of Andhra Pradesh and the same is taken as expenditure in the Profit & Loss account.
- iii. The operations of the company are being conducted in such a manner that the total expenditure incurred by the company viz., interest on bonds, loans and other operational expenses is being met / reimbursed by the Government of Andhra Pradesh and hence it does not result in any Profit/Loss and accordingly the profit & loss account does not depict any profit or loss out of the operations of the company.

c. Fixed Assets :

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

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.

2 Notes on Accounts :

1. Contingent Liabilities provided for - NIL - (Previous year -NIL-)
2. Capital commitment provided for (net of advances) - NIL-(Previous Year -NIL-)

3. UNSECURED LOANS : Rs.2710.20 Crores (last year Rs. 2846.33 Crores).

- 3.1 The Company has issued Bonds under various series styled "**POWER BONDS**" during the earlier years and also during the current year. The common features of the Bonds are as under :
- 3.2 The Bonds are unconditionally and irrevocably guaranteed for the due repayment, both the interest and principal, by the Government of Andhra Pradesh.
- 3.3 The payments to the Bond holders are governed by a "**STRUCTURED MECHANISM**", through a Tripartite Agreement among the Company, Government of Andhra Pradesh and State Bank of Hyderabad-Trustees to the Bondholders, which assures budgetary support, if required, from the Government of Andhra Pradesh for servicing the bonds. The payment due on bonds, Trustee Fee and all other monies relating thereto are met / paid from the moneys transferred into the designated No-Lien Account by the Government of Andhra Pradesh pursuant to the obligations undertaken by it under the said Tripartite Agreement.
- 3.4. Unsecured Loans at the end of the year includes the following bonds issued under different series, which were issued to the Creditors of **AP TRANSCO**, for consideration other than cash.

Sl. No.	Series	Rupees in Crores
1.	Power Bond Series 5/2001	7.00
TOTAL		7.00

The Summary of Status of all outstanding unsecured loans is given below :

Sl. No.	Power Bond Series	Amount Outstanding (Rs. In Crores) As on		Coupon Rate (%) p.a.	Interest Payable	Tenure in Years	Put/Call Option due at the end of
		31-03-2011	31-03-2010				
Regular Income (Non-Cumulative) Bonds							
1.	2/2000	Nil	155.65	13.50	Semi Annual	12	10th Year
2.	1/2001	Nil	99.47	13.50	Semi Annual	12	10th Year
3.	2/2001	36.59	61.35	12.80	Semi Annual	12	10th Year
4.	3/2001	112.35	112.35	12.50	Semi Annual	12	10th Year
5.	4/2001	99.97	99.97	12.50	Annual	12	10th Year
6.	5/2001	58.50	58.50	12.00	Annual	12	10th Year
7.	1/2002	66.58	66.58	11.80	Annual	12	10th Year
8.	2/2002	47.38	47.38	11.60	Annual	12	10th Year
9.	2/2003	Nil	164.00	10.90	Annual	10	7th Year
10.	3/2003	Nil	150.74	10.65	Annual	10	7th Year
11.	4/2003	Nil	558.27	10.65	Annual	10	7th Year
12.	1/2004	246.70	246.70	7.50	Annual	7	5th Year
		267.30	267.30	7.70	Annual	10	7th Year
13.	1/2005	597.20	597.20	8.15	Annual	15	12th Year
14.	1/2010	42.00	Nil	8.49	Semi Annual	10	7th Year
		1011.30	Nil	8.74	Semi Annual	12	10th Year
Total		2585.87	2685.46				



Cumulative Bonds

1.	2/2000	0.98	1.36	13.50	Nil	12	Nil
2.	1/2001	17.35	17.51	13.50	Nil	12	Nil
Total		18.33	18.87				
Total Bonds		2604.20	2704.33				

Canara Bank Term Loan

1.	Loan	106.00	142.00	ROI (%) 8.75			
Grand Total		2710.20	2846.33				

- 3.5 As mentioned above, the Company, earlier had taken an unsecured term loan from Canara Bank amounting to Rs. 500 Crores at an interest rate of 8.75% p.a., for the purpose of implementation through M/s. AP TRANSCO by Govt. of AP for energization of individual farmer pump sets/wells in rural areas. Outstanding of term loan as on 31.03.2011 is for Rs.106.00 Crores (Rs.142.00 Crores as on 31.03.2010). The Government of Andhra Pradesh has guaranteed for repayment of this loan, interest, costs, charges, etc.
4. Interest accrued but not due on regular bonds amounting to Rs. 21.85 Crores (Previous year Rs.93.23 Crores) is not provided in the accounts due to the following reasons :
- The tax cannot be deducted at source as required under Chapter XVII of the Income Tax Act, 1961, as the bonds are tradable in nature and the ultimate beneficiary cannot be ascertained at the end of the year till the actual payment is made.
 - The actual Interest expenditure incurred by the company is reimbursable by the A.P. State Government.
5. Interest on cumulative Bonds amounting to Rs. 50.97 Crores (previous year Rs. 43.71 Crores) is not provided due to the following reasons :
- The interest is due and payable only on maturity of the Bonds as per the terms and conditions of Offer Document.
 - The quantum of interest due to a bondholder cannot be ascertained, as they are tradable bonds.
 - The tax due payable by a bondholder cannot be deducted at source as the quantum of interest cannot be determined at the end of the year till the actual payment is made.
 - The actual Interest expenditure incurred by the company is reimbursable by the A.P. State Government.
6. Balances in No Lien Current accounts with the Banks, representing funds transferred pursuant to the Tripartite Agreement for servicing of the Bonds, is Rs. 105.43 Crores (last year Rs. 73.79 Crores) against which cheques have already been dispatched to the Bondholders, is not reflected in the Balance Sheet as at 31-03-2011 as the funds have been transferred to the said No-Lien Accounts, specifically for the bonds which already got matured and became due for payment.
7. Loans to the Government of Andhra Pradesh :

Up to year ending 31-03-2011, the Funds mobilized by issuing of Bonds (net of redemption) amounting to Rs.2604.20 Crores (Previous year Rs. 2704.33 Crores) and Term Loan (net of repayments) taken from Canara Bank for Rs. 106.00 Crores (Previous year for Rs.142.00 Crores) were shown as "Loan to Govt. of Andhra Pradesh" under the head "Current Assets, Loans and Advances".

Out of the above, the Bonds issued for consideration other than cash were Rs. 7.00 Crores (previous year Rs.7.00 Crores) which were issued to the Creditors of APTRANSCO.



8. (a) 'Other Receivables' from the Government of Andhra Pradesh shown under 'Loans & advances' is subject to confirmation and reconciliation.
- (b) Percentage of such unconfirmed amount to the total amount Outstanding 1.01% (Previous 0.95%).
9. Managerial Remuneration :

Particulars	Managing Director	
	2010-11 Rs.	2009-10 Rs.
Salaries, Allowances	-	-
Contribution to Provident Fund and welfare Fund	-	-
Others - Additional Charge allowance to Managing Director	106,428/-	40,956/-

10. During the year, to the extent information provided by the suppliers, the company has not entered into any transactions either with Small Scale Industries or any other enterprises which come under the purview of Micro, Small and Medium Enterprises Development Act, 2006.
11. Other information required to be disclosed as per paragraphs 3 and 4 of the Schedule VI to the Companies Act 1956 is 'NOT APPLICABLE' in the case of the company.
12. Previous year figures are regrouped, rearranged or readjusted, wherever necessary.

For P.S.N. Ravishanker & Associates
Chartered Accountants

For ANDHRA PRADESH POWER FINANCE
CORPORATION LTD

(Y. Sai Karunakar)
Partner
M. No. 207033

Munindra, IFS
Managing Director

K. Vijayanand, IAS
Director

Place : Hyderabad
Date : 09-09-2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

PARTICULARS	31st March, 2011 Rupees	31st March, 2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	-	-
Adjustments for :		
Depreciation & Assets written off	19,125	15,357
Interest Income	(1,426,154)	(1,865,208)
Assets written off	-	7,177
Preliminary Expenses written off	-	-
Operating Profit Before Working Capital Changes	(1,407,029)	(1,842,674)
Adjustments for :		
Trade and Other Receivables	(3,686,709)	1,341,155
Loan Amount repaid by AP Govt. for onward repayment to the Bond Holders	11,894,300,000	1,970,200,000
Loan Transferred to DISCOMs Pool Account	(10,533,000,000)	
Trade Payables and Other Liabilities	3,839,974	(1,482,499)
Increase/(Decrease) in Net Current Assets	1,361,453,265	1,970,058,656
Net Cash From Operating Activities (A)	1,360,046,236	1,968,215,982
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(26,380)	(41,300)
Interest Received	1,426,154	1,865,208
Net Cash Used In Investing Activities (B)	1,399,774	1,823,908
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Bonds Repaid during the year	(12,254,300,000)	(2,330,200,000)
Bank Term Loan Repaid	360,000,000	360,000,000
Bonds Raised during the year	10,533,000,000	-
Interest Paid on borrowings	-	-
Net Cash used in financing Activities (C)	(1,361,300,000)	(1,970,200,000)
Net Increase in Cash and Cash Equivalents (A+B+C)	146,011	(160,110)
Cash and Cash Equivalents at the beginning the year	20,079,996	20,240,106
Cash and Cash Equivalents at the end of the year	20,226,006	20,079,996
	146,010	(1,60,110)

For **P.S.N. Ravishanker & Associates**
Chartered Accountants

For **ANDHRA PRADESH POWER FINANCE CORPORATION LTD**

(Y. Sai Karunakar)
Partner
M. No. 207033

Munindra, IFS
Managing Director

K. Vijayanand, IAS
Director

Place : Hyderabad
Date : 09-09-2011