

Audited Project Financial Statements

Project Number: 43253

Loan 3172

Period covered: 1 April 2015 to 31 March 2016

IND: Karnataka Integrated and Sustainable Water Resources Management Investment Program - Project 1

Prepared by the Karnataka Neeravari Nigam Limited

For the Asian Development Bank

Received on 23 December 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy (2011) and as agreed between ADB and the Ministry of Water Resources.

INDEPENDENT AUDITOR'S REPORT

To

Managing Director,
KanatakaNeeravari Nigam Limited,
Bangalore.

We have audited the accompanying Project Financial Statements of Karnataka Integrated and Sustainable Water Resources Management Investment Program ("KISWRMIP") assisted by Asian Development Bank ("ADB") under Multi tranche Financing Facility and Loan No 3172- IND("Loan") implemented by Kanataka Neeravari Nigam Limited ("the company") which comprise of Project Balance Sheet as of March 31,2016, Statement of Receipt and Payments, and Statement of Expenditure for the year ended and other explanatory information.

Project Management's Responsibility for the Project Financial Statements

Project Management is responsible for the preparation and fair presentation of the accompanying statements in format agreed between ADB and GOI/GOK as noted in the minutes of negotiations for the loan, in accordance with the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules,2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the act safeguarding the assets of the company and for preventing and detecting frauds and irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of accounting record, relevant to the preparation and presentation of these Project financial statements that give true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Project financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Project financial statements are free from material misstatement.

An audit involves examining, on a test basis, performing procedures to obtain audit evidence supporting the amounts, internal checks and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material

Also At:

No.107, Medavakkam Tank Road, Kilapauk, Chennai – 600 010. Ph. 26413112, 26428457.
No.14/C, 5th Main, Yaduvigiri, Mysore – 570 020. Ph. 2515929.
No.106, 7th 'A' main, 3rd Block, Jayanagar, Bangalore-560 011. Ph.26550200



misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the entity's preparation of the Project financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the company has in place and adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. There are inherent limitations of audit whereby material misstatement arising due to fraud and error may not be detected.

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

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the aforementioned project financial statements and appended notes that are subject of audit give a true and fair view, in all material aspects to the financial position of the Project as at 31st March 2016, and are in accordance with Accounting Standards prescribed in India.

The proceeds of funds under the project loan have been utilized for the purposes for which they have been provided as agreed in Loan agreement between the ADB and GOI/GOK and that no proceeds of the loan have been utilized for other purposes.

The Company has generally complied with covenants of the loan agreement as at the date of balance sheet and major deviations having significant impact on the project are not observed.

With respect to statement of Expenditure, adequate supporting documentation has been maintained to support claims to the ADB for reimbursements of expenditure eligible and incurred for financing under Loan agreement.

The Company has not availed any Imprest Account under this loan and as a result the use and procedure of Imprest Account are not applicable.

The Project financial statements of the KISWRMIP for the loan for the year ended March 31, 2016 are prepared, in all material respects, in accordance with the financial reporting provisions of Multi-tranche Financing Facility implemented by the company under ADB Loan.

Emphasis of Matter:

Without qualifying our opinion, attention is drawn to the following Notes to the Financial Statement:

1. KNNL has opened a designated ADB Current Account operated by the Managing Director KNNL and Project Director, KSIWRM. The required funds for ADB project payments are transferred from main account of KNNL to designated ADB Current Account and payments to contractor's bills / invoices are paid directly from the designated ADB current account. There is deviation as per the loan

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B.P.RAO & CO.
CHARTERED ACCOUNTANTS

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agreement that as on 31.3.16, the CAO operated ADB current account was not opened and all contract payments are done through the Project Director's operated ADB Current Account.

However in the current year, a separate CAO operated ADB program current Account for effecting the contractor's payments has been opened. The funds from main account is transferred to separate project bank account opened to receive and disburse funds allocated for the program and then transfer to the CAO operated ADB program current account.

2. The Government of Karnataka releases all the funds allocated to KNNL through District Treasury, Urban, Bangalore to a designated account with State Bank of Mysore from time to time. As such, Rs. 12,72,50,000 received from GOK relates to ADB vide GO No. WRD NMS 2016 Bangalore Dt. 29.3.16 towards budgetary allocation for FY 15-16 has been credited by Treasury Department, GOK to SBM Main account on 07/4/2016. The receipt of the funds is not transferred to the Project Director, ADB Current Account.

Basis of Accounting

Without modifying our opinion, the Project financial statements are prepared to provide information to ADB under Multi-tranche Financing Facility under ADB Loan. As a result, the statement may not be suitable for other purpose.

For B.P. Rao & Co.,
Chartered Accountants
Firm's Reg No: 003116S



B.Prasanna
Partner
M.No.202100

14th December, 2016

Also At:

No.107, Medavakkam Tank Road, Kilapauk, Chennai – 600 010. Ph. 26413112, 26428457.
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Government of Karnataka
Water Resources Department
Karnataka Neeravari Nigam Limited
Karnataka Integrated Water Resources Management Investment Program
Loan/Grant No.MFF0085 Loan 3172 IND
CIN U85110KA1998SGC024503

ADB Assisted Project Balance Sheet as at March 31, 2016

Particulars	Notes	As at March 31, 2016
EQUITY AND LIABILITIES		
Head office Account	1	127,250,000
Current liabilities		
Other Current Liabilities	2	107,766,693
TOTAL		235,016,693
ASSETS		
Non-current assets		
Fixed assets		
Work in Progress	3	105,944,293
Current assets		
Cash and cash equivalents	4	129,072,400
TOTAL		235,016,693
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	1-6 of Annexure	

For and on behalf of the Board



R. Rudriah
Managing Director
DIN: 06453760


N. Ravindran
General Manager - Finance



141216

As per our report of even date attached
For B.P. Rao & Co.,
Chartered Accountants
Firm Reg No. 0031165


B. Prasanna
Partner
M. No.202100



Government of Karnataka
Water Resources Department
Karnataka Neeravari Nigam Limited
Karnataka Integrated Water Resources Management Investment Program
Loan/Grant No.MFF0085 Loan 3172 IND
CIN U85110KA1998SGC024503
ADB Assisted Project Balance Sheet as at March 31, 2016

1 Head office Account

Particulars	As at March 31, 2016
Amount Received from Head Office Account - Cheque in Transit	127,250,000
Total	127,250,000

2 Current Liabilities

Particulars	Within a year
Due to Head office	97,170,963
Payables for Fixed Assets	9,231,328
Other Payable - Statutory Remittances	1,364,402
Total	107,766,693

3 Work in Progress

Particulars	As at March 31, 2016
Work in Progress	105,944,293
Total	105,944,293

4 Cash and cash equivalents

Particulars	As at March 31, 2016
Balances with Banks	
In Current accounts **	1,822,400
Cheques in Transit	127,250,000
Total	129,072,400



Government of Karnataka
Water Resources Department
Karnataka Neeravari Nigam Limited
Karnataka Integrated Water Resources Management Investment Program

Loan/Grant No.MFF0085 Loan 3172 IND

STATEMENT OF RECEIPTS AND PAYMENTS
REPORT FOR THE YEAR/PERIOD ENDED 31 March 2016

in (INR) '000				
Particulars	Note Reference	During the Current Year for 12 month period	During the Previous Year for 12 month period	Cumulative Project to Date As at [end of CURRENT year]
Opening balance ¹ (A)		-	-	-
Receipts				
Funds received from Government ²	4	1,27,250.000	-	1,27,250.000
ADB Loan ³	6	-	-	-
ADB Grant ³	6	-	-	-
Co-financier 1	7	-	-	-
Co-financier 2	8	-	-	-
Beneficiary contribution (if any)	9	-	-	-
Other receipts such as interest income, sale from disposals of fixed assets etc.- Amount utilized from KNNL	10	-	-	-
		97,170.963	-	97,170.963
Total Receipts (B)		2,24,420.963	-	2,24,420.963
Total (C = A + B)		2,24,420.963	-	2,24,420.963
Payments				
Investment Costs⁴	11			
Civil Works				
Mechanical and Equipment				
Environment and Social Mitigation				
Consultants				
a. Project Management				
b. Capacity Development				
Others (mobilization advance)		95,348.563	-	95,348.563
Subtotal (D)		95,348.563	-	95,348.563
Recurrent Costs	12			
Salaries				
Accommodation				
Equipment Operation and Maintenance				
Others				
Subtotal (E)		-	-	-
Total Payments		95,348.563	-	95,348.563
Financing Charges During Implementation (F)	13	-	-	-
Total Project Cost (G = D + E + F)		95,348.563	-	95,348.563
Closing Balance (C - G)		1,29,072.400	-	1,29,072.400

¹ If cash balance are controlled by the entity, indicating cash balance, imprest account and SGIA balance separately

² These will include external assistance received by Government for the project.

³ This shall include amounts received in the Bank Account as well as amounts deemed to be received against direct payments made by ADB to the suppliers of goods and services under Direct Payment procedure and Commitment Letter procedure

⁴ Expenditure categories are based on the cost allocation table as per Loan/Grant Agreement

Notes 1 to VI of the financial statements form an integral part of these financial statements.

For and on behalf of the Board

R. Rudraiah
Managing Director
DIN: 06453760

N. Ravindran
General Manager-Finance

Place: Bengaluru
Date: 14.12.16



As per our report even date attached

For B.P. Rao & Co.,
Chartered Accountants
Firm Reg No. 003116S

B. Prasanna
Partner
M.No. 202100



Government of Karnataka
Water Resources Department
Karnataka Neeravari Nigam Limited
Karnataka Integrated Water Resources Management Investment Program

Loan/Grant No.MFF0085 Loan 3172 IND

**STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER
REPORT FOR THE YEAR/PERIOD ENDED 31 March 2016**

in (INR) '000							
Particulars	ADB ¹		Co-Financier		Government		Total Expenditure 8
	Percentage of financing ¹ 1	Actual Expenditure		Actual Expenditure Amount 4	Actual Expenditure Amount 6	Actual Expenditure % 7	
		Amount 2	% 3				
Investment Costs²							
Civil Works							
Modernisation of Gondi Main Canal & Distributories in Shivamogga District of Karnataka (Gondi NCB-1) – M/s RPP Infra Project Ltd., and M/s Ramalingam Construction Company	74%	46,775,400	74%		16,434,600	26%	63,210,000
Mechanical and Equipment							
a. Mobilisation Advance for supply of flow measurement and Telemetry System – Supply & Installation on Item rate basis package (FMT-ICB-2)- Supplier Hydrovision-CAPI-JV							
(i) M/s Hydrovision GmbH, Germany	80%	11,825,721	10%		2,956,431	10%	14,782,152
(ii) M/s Canarys Automation Pvt. Ltd., Bangalore, India	80%	2,252,013	10%		563,003	10%	2,815,016
Environment and Social Mitigation Consultants							
b. Project Management							
Program Support Consultants (including WUCs strengthening support) –							
i) SMEC International Pty Ltd., Australia	100%	3218,431	100%		-	-	3218,431
ii) In association with M/s SMEC India Private Limited	100%	8,860,322	78.60%		2,411,976	21.40	11,272,298
c. Capacity Development							
d. Others							
Bank Charges					50,666		50,666
Subtotal (A)		72,931,887			22,416,676		95,348,563



Government of Karnataka
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Karnataka Integrated Water Resources Management Investment Program

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REPORT FOR THE YEAR/PERIOD ENDED 31 March 2016

Statement of Disbursement

Details of the disbursement by method are given below:

in (INR) '000				
Statement of Disbursement	Note	Current Year	Prior Year	Cumulative Project to Date
ADB Fund claimed during the year				
Reimbursement ³	6.1	0	Nil	0
Imprest Fund ³	6.2			
Direct Payment	6.3			
Commitment Letter	6.4			
Subtotal	(A)	0	Nil	0
Total Expenditure made during the year¹	(B)	95,348.563		95,348.563
Less:				
Expenditure not yet claimed	(C)	72,931.887	Nil	72,931.887
Borrower's share ²	(D)	22,416.676	Nil	22,416.676
Total Eligible Expenditure claimed (B – C – D = E = A)	(E)	Nil	Nil	Nil

¹ The total expenditure as per Statement of Receipts and Payments.

² This should tally with the Government share included in Statement of Expenditure by category and financier (Column 5)

³ Includes both claims using SOE and full supporting documentation

Notes 1 to VI of the financial statements form an integral part of these financial statements.

For and on behalf of the Board


R. Rudraiah
 Managing Director
 DIN: 06453760

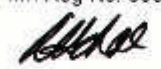

N. Ravindran
 General Manager-Finance

Place: Bengaluru
 Date: 14.12.16



As per our report even date attached

For B.P. Rao & Co.,
 Chartered Accountants
 Firm Reg No. 0031165


B. Prasanna
 Partner
 M.No. 202100



Government of Karnataka
Water Resources Department
Karnataka Neeravari Nigam Limited
Karnataka Integrated Water Resources Management Investment Program

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st March, 2016

1. Project Nature and Activities

Description of the Project, nature and activities :

Karnataka Integrated and Sustainable Water Resources Management Investment Program is being implemented with the loan assistance of ADB. The MFF is of two tranches with ADB Loan assistance of US \$150million and State share of US\$ 75 million. The Loan Agreement for US\$31 Million was signed on 7th May 2015 for the First Tranche. The KISWRMIP will support three outputs:

- (i) State and Basin institutions strengthened for IWRM,
- (ii) Irrigation system infrastructure and management. The output will strengthen institutional capacities of the Water Resources Department (WRD) and the Advanced Centre for IWRM (AC-IWRM) to implement IWRM in selected river basins in Karnataka. This will include:
 - (a) Development and implementation of river basin plans to better manage water resources,
 - (b) Capacity building and certification of the WRD (including its associated agencies like Karnataka Neeravari Nigam Limited [KNNL]) in IWRM with at least 30% of trainees being women, and
- (iii) Improved water resources information systems. This output will include:
 - (a) Modernization of irrigation infrastructure through three irrigation subprojects within the selected K-8 sub-basin (Gondi subproject under Project-1, and Vijaynagara and Tungabhadra left bank canal under Project-2);
 - (b) Strengthening asset management and main system operation and maintenance (O&M); and (iii) capacity building of inclusive water user cooperative societies (WUCS), with women representation, for improved operation, maintenance and water management within their respective command area modernized, and
 - (c) Program management systems operational.

Commencement and expected Completion dates:

- 1) Loan effectiveness date: 13.7.15
- 2) Project Closing date: 30.9.18
- 3) Loan Closing date: 31.3.19



Location:

Bhadravathi, Karnataka

Domicile:

Karnataka, India

Legal Form:

Karnataka Neeravari Nigam Limited" (KNNL) is a Government of Karnataka (GOK) undertaking established mainly for implementation certain irrigation projects on fast track basis. It is incorporated in 1998 under the Companies Act, 1956 as a wholly owned company of the Government of Karnataka.

Controlling IA / EA

The state acting through Karnataka Neeravari Nigam Limited (KNNL) is the executing agency and also the implementing agency. The EA will be responsible (but not limited to) for execution of the entire program, coordination of all activities particularly those requiring other government ministerial actions such as the Planning Commission, Department of Economic Affairs of the Ministry of Finance, Ministry of Water Resources etc., disbursement support such as reimbursement of expenditures etc., It will also be responsible for top-level coordination with ADB and other relevant development partners.

1.1 Give legislative framework

The Program Management Unit (PMU) will be located within the KNNL and Managing Director, KNNL will be the Project Director. The PD will operate under the overall guidance and with the support of the Principal Secretary to Government, WRD, GOK and the Project Support Consultant. The PMU will comprise the following units;

Monitoring and communication
Budget and administration
Irrigation management

2. STATEMENT OF COMPLIANCE

Financial statements are prepared under historical cost convention on a going concern and accrual basis of accounting with Generally Accepted Accounting Principles (GAAP) and practises in India unless otherwise stated and comply in material aspects with the mandatory Accounting Standards as specified in the Companies (Accounting Standards) Rules and the relevant provisions of the Companies Act, 2013, to the extent applicable, except payment of gratuity to supernumerary employees, payments for pending work bills on transfer of project, price escalation claims and Crop compensation paid, where in, the Company accounts for such transactions on receipt/cash basis.



3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

The Preparation of financial statements is in conformity with Generally Accepted Accounting Principles (GAAP) and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3.2 Fund Flow mechanism

KNNL will open separate project bank account with State Bank of Mysore to receive and disburse funds allocated for the program from the common main account, to avoid co-mingling with overall funds received by KNNL and to facilitate withdrawals/onward transfer of IAs, CAO and PIO thereof for effecting payments to contractors/ service providers, etc. The IAs and CAO-PIO shall open individual Program Bank Accounts to receive funds from KNNL to finance approved sub-projects/ activities only under the Program.

KNNL will transfer funds to the separate program bank accounts in the respective CAO based on the indent raised for disbursement against verified and approved bills/invoices, and or other expenditure duly approved by the CAO.

3.3 Capital Work in Progress

The irrigation projects being implemented by the Company consist of dams, canal systems, canal network, Lift Irrigation Schemes, etc. The cost is capitalised on completion of each work on put to use concept and until such completion, expenditure incurred on construction (which includes in certain cases, part payment for works completed and pending approval of competent authority) is shown under Capital Work in Progress against appropriate heads.

3.4 Allocation of Common Costs

Allocation of Expenses (Expenditure During Construction)

- i. The expenditure allocated to the completed assets is charged off to Profit and Loss Account and the expenditure allocated to assets in progress will continue under Capital Work in Progress.
- ii. The revenue expenditure incurred by Executive Engineer offices (other than repairs and maintenance of dams, barrages, canals, branches, distributaries, Lift Irrigation Schemes, provision for bad & doubtful debts, depreciation on assets, etc) on all assets including assets in progress is allocated on pro-rata basis to completed assets and assets in progress of the respective EE Office.



- iii. The primary allocation of the revenue expenses (other than provision for bad & doubtful debts, depreciation on assets, etc) incurred by Registered Office and Central Office are apportioned on the basis of completed assets and assets in progress of the respective EE Office to the completed assets and assets in progress of all the Executive Engineer offices. The secondary allocation of such apportioned cost is based on the completed assets and assets in progress of respective EE office.
- iv. The primary allocation of revenue expenses (other than provision for bad & doubtful debts, depreciation on assets, etc) incurred by Chief Engineer Office, Superintending Office, Workshop & Mechanical offices and Quality Control Offices of each zone are apportioned on basis of completed assets and assets in progress of the respective EE Office to total completed assets and total assets in progress of the Executive Engineer Offices of the respective zones. The secondary allocation of such apportioned cost is based on the completed assets and assets in progress of respective EE office.

3.5 Interest Expenses and Financial Charges

- a Borrowing cost includes interest on bonds, term loans and guarantee commission payable to GOK (net of grants received) , arrangers fees, listing fees, rating & surveillance, trusteeship fees etc.
- b Borrowing costs are allocated only to projects that subsisted during the years of such borrowings.
- c The primary allocation of such borrowings is affected to all Executive Engineers divisions under the said projects in the proportion of capital expenditure incurred by such divisions.
- d The secondary allocation is effected on the individual project assets (canals, distributories, dams, Lift Irrigation Schemes etc.) in proportion of expenditure incurred in the total of such expenditure incurred during the year at such divisions.
- e Further such allocated borrowing costs are apportioned to assets capitalised during the year and to CWIP carried forward in proportion to their respective values as at the year end.
- f The borrowing costs attributed to such capitalised assets is charged to the profit and loss account.
- g The manner of such allocation approximates the attributable borrowing costs to the qualifying assets though the allocation is attributed also to the period after the assets have been capitalised.

3.6 Funds Received from the Government

Government grants are recognized on receipt by the Company.

Government grants received for meeting specific debt obligation is bifurcated as grants for interest, guarantee commission and principal. The grants for meeting principal repayment are treated as equity. The grants received for interest payments are accounted as income.

The funds released to SCP & TSP are shown as Other Income - Grants and the expenditure is accounted under Expenditure under GOK Schemes.

The funds released to SDMF & Other Asset Maintenance are treated as Other Income - Grants.



3.7 Accrued and other liabilities

Liability for work bills (in respect of both capital and revenue account) as at the end of the year is recognised in respect of such of those bills received at the Sub Division/ Division/ Central Office upto 31st May of succeeding financial year.

Claims on the Company for price variation and EFI in respect of Contracts are accounted for on acceptance by the competent authority.

3.8 Income

Revenue from letting out water for irrigation is recognised on accrual basis at the rates prescribed under the Karnataka Irrigation Act and Rules.

Sale of rubbles, Hard Rock, Soil, Tender Forms, Rental/lease income on use of land and building, penalty on delayed progress of work, interest on excess payment to contractors, Miscellaneous income/receipts not in the ordinary course of business are recognized on realization, as there are uncertainties in their ultimate realization. Stale cheques pertaining to other than statutory payments, outstanding for more than three years, are recognised as income.

4 Notes Forming part of Financial Statements:

4.1 Changes in Accounting policies

Changes in accounting policies is not applicable as this is the first year of preparation of accompanying Project Financial Statements of Karnataka Integrated and Sustainable Water Resources Management Investment Program assisted by Asian Development Bank under Multi tranche Financing Facility.

4.2 Advances and other receivables

During the year the company has provided interest free mobilization advance to the contractors as per the terms of the contract. The advance will be recovered in equal installments from the running bills submitted by the contractor.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise balances in current accounts and Cheques in transit. During the year, the GOK has released budgetary allocation of Rs. 12.725 crores to KNNL as equity under the KSIWRM head. Rs. 12,72,50,000 received from GOK vide GO No. WRD NMS 2016 Bangalore Dt. 29.3.16 towards budgetary allocation for ADB project assistance for FY 15-16 has been credited by Treasury Dept, GOK to SBM Main account on 7.4.16 and the same has been shown as Cheques in transit as on 31 March, 2016.



4.4 Accrued and other liabilities

Current Liabilities includes provisions made for work bills relating to work done upto March 31, 2016, the payments made upto October, 31 2016. The value of such provisions amounting to Rs. 92,31,328 (Previous Year: Rs. Nil) is based on the bills received and paid as on October 31, 2016 for the work relating to the year ended March 31, 2016.

4.5 Foreign currency transactions and translation

During the year the KNNL has made the following foreign currency payments and are accounted as capital expenditure in the books in terms of INR.

Sl. No.	Contractor	Contract	Payment made for	Date of Payment	Amount (in INR)	TDS	Net Amount
1.	Hydrovision GmbH	Flow Measurement & Telemetry System – Supply & Installation	Mobilisation advance 1,94,502 euros @ Rs. 76/- per euro	24.2.16	1,47,82,152	-	1,47,82,152
2.	SMEC India Pvt Ltd.,	Project Support Consultants	Mobilisation advance 64,439 less TDS @ 2% 1,456 AUD @ Rs. 51.1731 per AUD	17.3.16	32,92,833	74,402	32,18,431

The State Government releases the funds to KNNL as per the budgetary allocation under the KSIWRM head of account in the form of equity. The ADB reimburses the expenditure incurred by KNNL to the Central Government and the Central Government passes on to the State Government. There are no gains / losses recognised in the statement of receipts and payments account.

(a) Functional and presentation currency

Items included in the financial statements of the Project are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Indian Rupee (INR).

(b) Transactions and balances

Transactions in foreign currency are converted at the exchange rate prevailing at the date of transaction. Foreign currency bank balances are re-stated at the yearend rate, and the resulting gains/losses are recognized in the statement of receipts and payments account. Conversion Rate: USD \$ 1 = INR 60/- as of 31 March, 2016.



4.6. Give details of the government budgeting and funding mechanism

	in (INR) '000		
	Current Year	Prior Year	Cumulative Year to date
Government Counterpart funding Amount Reimbursable to Government	1,58,500	Nil	1,58,500
Total	1,58,500	Nil	1,58,500

The Government vide GO No. WRD NMS 2016 Bangalore Dt. 29.3.16 had released Rs. 12.725 crores during the year for meeting project expenditure for ADB projects in form of equity contribution. The amount was credited to the State Bank of Mysore Main Account of the company on 7.4.16. However as the work under this project had already commenced wherein Rs. 10.59 crores was expended towards the said project, of which Rs. 9.72 crores was transferred by the company upto 31st March, 2016 from the common main account to the project account.

4.7 The Expenditure during construction as per the Accounting policy 3.4 has not been arrived at for the current FY 15-16 as the Statutory Audit for March, 2016 is under progress. The same will be incorporated as addition to Government share in the subsequent financial year.

5 The above financials have been approved by Board of Directors in the 75th meeting held on 14.12.16.

For and on behalf of the Board


R. Rudraiah
Managing Director
DIN: 06453760


N. Ravindran
General Manager-Finance

Place: Bengaluru
Date: 14.12.16



As per our report even date attached

For B.P. Rao & Co.,
Chartered Accountants
Firm Reg No. 003116S


B. Prasanna
Partner
M.No. 202100



Government of Karnataka
Water Resources Department
Karnataka Neeravari Nigam Limited
Karnataka Integrated Water Resources Management Investment Program

Loan/Grant No.MFF0085 Loan 3172 IND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st March, 2016

6 Funds Received from ADB

Give key terms and conditions of the loan, including date of loan agreement, loan effectiveness date, key terms and conditions, disbursement schedule, commitment fee and interest rates etc.

in (INR) '000				
ADB Source of Funds – Method of Withdrawal	Note Reference	During the Current Year	During the Previous Year	Cumulative Project to Date
ADB Loan				
- By Reimbursement Method	6.1	Nil	Nil	Nil
- By Imprest Account [†]	6.2			
- By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total				
ADB Grant				
ADB Loan and Grant Total				

[†] This should agree with the advances/replenishments net of refunds in Statement 6.2.

6.5 Funds Received from ADB through Reimbursement Method

The company has received funds Rs. Nil from ADB during the FY 2015-16.

As per our report even date attached

For and on behalf of the Board



R. Rudraiah
 Managing Director
 DIN: 06453760


N. Ravindran
 General Manager-Finance

Place: Bengaluru
 Date: 14.12.16



For B.P. Rao & Co.,
 Chartered Accountants
 Firm Reg No. 003116S


B. Prasanna
 Partner
 M.No. 202100



Government of Karnataka
Water Resources Department
Karnataka Integrated Water Resources Management Investment Program

[NAME OF THE ENTITY/PROJECT] Karnataka Neeravari Nigam Limited
 Loan/Grant No. Loan/Grant No.MFF0085 Loan 3172 IND

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31st March, 2016

6.6 Reconciliation of the Imprest Account and the Bank Statement is given below

STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR/PERIOD ENDED XX, XXXX.

		Prior Year	in (INR) '000 Current Year
Balance brought forward from previous period			
Add:			
Advance ¹			
Replenishment received during the year/period ¹			
Interest Earned			
Subtotal (A)			
Deduct:			
Payments made during the year/period			
Replenishment /Liquidation ¹			
Expenditure yet to be claimed		Not Applicable	
Amount refunded during the year/period			
Closing Balance (B)			
As per bank statement (copy attached)			

6.2.1 The US \$ equivalent notational amount held at the RBI in respect of the above Imprest Account balance is _____ US \$ (bank statement attached)

Not applicable to KNNL

Note: Figures indicated are illustrative in nature.

¹Withdrawal application-wise references required



6.3 Details of Payments made directly by ADB are given below

(Add relevant details here) – **Not applicable to KNNL**

6.4 Details of payments made through commitment procedure

(Add relevant details here) – **Not applicable to KNNL**

6.5 Details of Grants

Not applicable to KNNL



Government of Karnataka
Water Resources Department

[NAME OF THE ENTITY/PROJECT]: Karnataka Neeravari Nigam Limited
Loan/Grant No. Loan/Grant No. MFF0085 Loan 3172 IND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st March, 2016

6.6 Details of disbursement claimed under the Statement of Expenditure (SOE) Procedure are given below

**DISBURSEMENT CLAIMED UNDER STATEMENT OF EXPENDITURE (SOE) PROCEDURE
FOR THE YEAR/PERIOD ENDED 31 March, 2016**

W/A No.	SOE Sheet No.	Category	Total Amount Paid	ADB Financing % ¹	Net Eligible Expense	Amount Reimbursed	Imprest Fund Replenished/Liquidated	Total Disbursement Using SOE Procedure
			4	5	6 (4x5)	7	8	7 + 8 = 9
00001	1	Civil Works	63,210.000	74%	46,775.400	0	NA	Nil
	2	Mechanical and Equipment	17,597.168	80%	14,077.734	0	NA	Nil
00002	1	Consultants	14,490.729	100%	14,490.729	0	NA	Nil
	2	Salaries						
	3	Accommodation						
00005	1	Environment and Social Mitigation						
	2	Equipment Operation and Maintenance	50.666	0	0	0	NA	Nil
		Others – Bank Charges						
		Total	95,348.563		75,343.863	0	NA	Nil
		Total for [prior year]	Nil		Nil		Nil	Nil

¹ The financing percentages within the table for ADB funds are as per loan agreement Schedule 3.

N. Ravindran
General Manager-Finance

R. Rudraiah
Managing Director

Place: Bengaluru
Date: 14.12.16



Government of Karnataka
Water Resources Department

[NAME OF THE ENTITY/PROJECT]: Karnataka Neeravari Nigam Limited
Loan/Grant No. Loan/Grant No.MFF0085 Loan 3172 IND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st March, 2016

		in (INR) '000
Current Year	Prior Year	Cumulative Project to Date

Nil

7 – 13

If any of the amounts given on the Statements of Receipts and Payments require further detail or Break-down, provide this here against relevant Note


N. Ravindran
General Manager-Finance


R. Rudraiah
Managing Director

Place: Bengaluru
Date: 14.12.16



Government of Karnataka
Water Resources Department
Name of the Project - Karnataka Neeravari Nigam Limited
Loan/Grant No. No.MFF0085 Loan 3172 IND
STATEMENT OF APPROPRIATION VS. ACTUAL

Cost Categories	For the current year ended 2016 (1.4.15 to 31.3.16)				For the Prior year ended 2015				Cumulative from [beginning of Project] to year to date			
	Budgeted Expenditures	Actual Expenditures	Utilization Percentage	Variance	Budgeted Expenditures	Actual Expenditures	Utilization Percentage	Variance	Program Budgeted Expenditures	Actual Expenditures	Utilization Percentage	Variance
	INR '000	INR '000	%	INR '000	INR '000	INR '000	%	INR '000	INR '000	INR '000	%	INR '000
Investment Costs												
Civil Works	-	63,210,000	-	63,210,000						63,210,000		63,210,000
Mechanical and Equipment	18,142,500	17,597,168	96.99%	(-) 545,332					18,142,500	17,597,168	96.99%	(-) 545,332
Environment and Social Mitigation												
Consultants												
a. Project Management	11,280,000	14,490,729	128.46%	3,210,729					11,280,000	14,490,729	128.46%	3,210,729
b. Capacity Development												
Others	-	50,666	-	50,666						50,666	-	50,666
Subtotal	29,422,500	95,348,563		65,926,063					29,422,500	95,348,563		65,926,063
Recurrent Costs												
Salaries												
Accommodation												
Equipment Operation and Maintenance												
Others												
Subtotal												
Total Payments	29,422,500	95,348,563		65,926,063					29,422,500	95,348,563		65,926,063
Financing Charges During Implementation												
Total approved Project Cost	16,50,000											
Grand total of expenditures in USD		16,89,142.72										

Note

- The total expenditure incurred in FY 15-16 i.e., for the period from 1.4.15 to 31.3.16 is converted into USD at the rate of Rs. 60/- per USD = 9,53,48,56,360/-15,89,142.72 USD. The budgeted expenditure is derived at Rs. 60/- per USD
- (+) indicates achievement
- (-) indicates shortfall



N. RAVINDRAN
General Manager - Finance
Karnataka Neeravari Nigam Ltd.

Managing Director
Karnataka Neeravari Nigam Ltd.
Bangalore

Government of Karnataka
Water Resources Department
Name of the Project - Karnataka Neeravari Nigam Limited
Loan/Grant No. No.MFF0085 Loan 3172 IND
EXPENDITURE BY OUTPUT COMPONENTS

	Unallocable common costs			Output 1 ¹			Output 2			Output 3			Total Expenditure		
	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date
Investment Costs															
Civil Works															
Mechanical Equipment								63,210.000						63,210.000	
Environment and Social Mitigation								17,597.168						17,597.168	
Consultants															
a. Project Management															
b. Capacity Development											14,490.729			14,490.729	
Others															
Subtotal (A)											50.666			50.666	
Recurrent Costs															
Salaries															
Accommodation															
Equipment Operation and Maintenance															
Others															
Subtotal (B)															
Total Cost (C=A+B)															
% Total Project Cost								80,807.168			14,541.395			95,348.563	

¹ Allocate the expenditure to the different Project Output Components as per the Loan Agreement. Add as many columns as required. For common costs allocated, specify the sharing ratios in the note 3.10



N. RAVINDRAN
General Manager - Finance
Karnataka Neeravari Nigam Ltd.

Managing Director
Karnataka Neeravari Nigam Ltd.
Bangalore