

Audited Project Financial Statements

Project Number: 38254-063

Loan Number: 3088

Period covered: 1 April 2014 to 31 March 2015

IND: North Karnataka Urban Sector Investment Program – Project 4

Prepared by: Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)

For the Asian Development Bank
Date received by ADB: 30 September 2015

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 Government of Karnataka acting through the KUIDFC.

ಕರ್ನಾಟಕ ನಗರ ಮೂಲಸೌಕರ್ಯ ಅಭಿವೃದ್ಧಿ

ಮತ್ತು ಹಣಕಾಸು ನಿಗಮ ನಿಯಮಿತ

ನೋಂದಾಯಿತ ಕಛೇರಿ : ಸಿಲ್ವರ್ ಜುಬಿಲಿ ಬ್ಲಾಕ್,
ಎರಡನೇ ಮಹಡಿ, ಯುನಿಟ ಬಿಲ್ಡಿಂಗ್ಸ್ ಅನೇಕ್ಸ್, 3ನೇ ಅಡ್ಡರಸ್ತೆ,
ಮಿಷನ್ ರಸ್ತೆ, ಬೆಂಗಳೂರು - 560 027

ದೂರವಾಣಿ : 080-22232021, 22232134, ಫ್ಯಾಕ್ಸ್ : 22232157



SDG
Karnataka Urban Infrastructure
Development & Finance Corpn. Ltd.,

Regd. Office : Silver Jubilee Block, 2nd Floor,
Unity Building Annexe, 3rd Cross,
Mission Road, Bangalore - 560 027.
Phone : 080-22232021, 22232134 Fax : 22232157
E-mail : info@kuidfc.com, website: www.kuidfc.com

No. KUIDFC/FIN/ADB/AUD-APA/2014-15/

September 28, 2015

Ms. M. Teresa Kho,
Country Director,
Asian Development Bank,
India Resident Mission,
4, San Martin Marg,
Chanakyapuri,
NEW DELHI - 110 021.



Madam,

**Sub : ADB assisted NKUSIP Project - Loan No. 3088 IND - Project 4 -
Submission of audited Annual Financial Statement (AFA) and Audited
Project Accounts (APA) - FY 2014-15 - Reg.**

* * *

With reference to the subject cited above, as per the project agreement requirement, we are forwarding herewith audited Annual Financial Statement (AFS) for FY 2014-15 and Audited Project Accounts (APA), certificate of verification audit dated 23.09.2014 under NKUSIP Loan No. 3088 IND - Project - 4, for the FY 2014-15, issued by M/s. SNR & Company, Chartered Accountants, Bangalore for your information and records.

Thanking you,

Yours faithfully,

General Manager (Finance)

Encl : As above

Copy to :

1. Joint Secretary (MI), DEA, Ministry of Finance, North Block, New Delhi.
2. Controller of Aid Accounts & Audit, Ministry of Finance (DEA), 5th Floor, 'B' Wing, Janpath Bhavan, Janpath, New Delhi - 110 001.

INDEPENDENT AUDITOR'S REPORT

To
Managing Director,
Karnataka Urban Infrastructure Development and Finance Corporation Limited,
Bangalore.

We have audited the accompanying Project Financial Statements of NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAM ("NKUSIP") ("Project") assisted by Asian Development Bank ("ADB") under Multi tranche Financing Facility and Loan No 3088-IND("Loan") implemented by KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED("the company") which comprise of Project Balance Sheet as of March 31,2015, 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 thereunder.



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 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 2015, 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 Gol, 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.

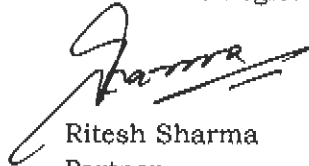
The Project financial statements of the NKUSIP for the loan for the year ended March 31, 2015 are prepared, in all material respects, in accordance with the financial reporting provisions of Multi-tranche Financing Facility implemented by the company under ADB Loan.



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 SNR & Company
Chartered Accountants
ICAI Firm's Registration No. 014401



Ritesh Sharma
Partner

ICAI Membership No. 210900
Bangalore: 23th September, 2015



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFEs / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

STATEMENT OF RECEIPTS AND PAYMENTS
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015

in (INR) '000

Particulars	Note ref	During the Current Year	During the Previous Year	Cumulative project to Date
		for 12 month period	for 12 month period	As at [end of CURRENT Year]
Opening Balance 1(A)		54,729	-	-
Receipts				
Funds received from Government ²		407,215	131,250	538,465
ADB Loan ³				-
ADB Grant ³				-
Co - financier 1				-
Co - financier 2				-
Beneficiary Contribution (if any)		80,166		80,166
Other receipts such as interest income, sale from disposals of fixed assets etc.				-
Total Receipts (B)		487,381	131,250	618,631
Total (C = A + B)		542,110	131,250	618,631
Payments				
Investment costs ⁴				
Civil Works		484,275	76,521	560,796
Total Payments (D)		484,275	76,521	560,796
Financing Charges During Implementation (E)			-	-
Total Project Cost (F=D+E)		484,275	76,521	560,796
Closing Balance (C- D)		57,835	54,729	57,835

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

5. Since Financing charges met by GOI, the closing balance is C - D

Notes 1 to 4 of the financial statements form an integral part of these financial statements


(K.M. Ramesh)

General Manager - Project Finance
KUIDFC





(Ritesh Sharma)
Partner M.No: 210900
SNR & Company, FRN 014401N



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFEs / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

**STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015**


in (INR) '000

Particulars	ADB			Co-Financier		Government		Total Expenditure
	% Financing	Actual Expenditure		Actual Expenditure		Actual Expenditure		
		Amount	%	Amount	%	Amount	%	
Investment costs 2								
Civil Works	100%	520,180	93%			40,616	7%	560,796
Total Cost (C = A + B)		520,180	93%			40,616	7%	560,796
% OF Total project Cost		13%				2%		10%
Total Project Cost for indicative as at 31.3.2015		3,947,103				1,733,483		5,680,586

Note : INDICATIVE PROJECT COST AS AT 31.3.2015

Tranches	ADB	GoK	Total
Tranche 4 - 3088 IND IN USD Mil	63.30	27.80	91.10
Project cost in INR approximate @ 62.3555 / USD in INR '000	3,947,103	1,733,483	5,680,586

Note : ADB letters for exchange rate indicate RBI indicative rate @ 62.3555 / USD, the same is used for calculation indicative


(K.M.Ramesh)
General Manager - Project Finance
KUIDFC




(Ritesh Sharma)
Partner M.No: 210900
SNR & Company, FRN 014401N



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFES / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015

4. Funds Received from the Government in (INR) '000

Give details of the government budgeting and funding mechanism

Particulars	Current Year	Prior year	Cumulative Year to date
Government counterpart funding Amount Reimbursable to Government	407,215	131,250	538,465
	407,215	131,250	538,465

5. DATE OF AUTHORIZATION

Government of Karnataka has authorised the Budget releases through Government Orders on the dates indicated

Particulars	Current Year	Prior year
Government approved above funds through Government order dates as detailed in the respective years	14-Oct-14	7-Jun-13
	27-Feb-15	12-Jul-13
	30-Mar-15	28-Mar-14



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KSFES / KUIDFC
Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4
Loan / Grant No : 3088 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015

in (INR) '000

Statement of Disbursement

6.Details of the disbursement by method are given below

Statement of Disbursement	Note	Current Year	Prior Year	Cumulative Project to Date
ADB Fund Claimed during the year				
Reimbursement	6.1	520,180	-	520,180
Imprest Fund	6.2			
Direct payment	6.3			
Commitment Letter	6.4			
Subtotal	(A)	520,180	-	520,180
Total Expenditure made during the year add : prior year eligible Less : not claimed Borrower's share & Ineligible	(B)	484,275 76,521 - 40,616	76,521 76,521	560,796 40,616
Total Eligible Expenditure claimed (B - C - D = E = A)	(E)	520,180	(0.00)	520,180



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KSFES / KUIDFC
Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015

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.

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	520,180	-	520,180
- By Imprest Account	6.2			
-By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total		520,180	-	520,180
ADB Grant		-	-	-
ADB loan and Grant Total		520,180	-	520,180

6.1 Funds Received from ADB through Reimbursement Method

DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2014-2015

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015 - 2014 - 2015

Application No.	W/Apl. No.	SOE sheet No	Category	Total amount paid Eligible Amount	ADB Financing %	Net Eligible Expenses	Amount Reimbursed	Imprest Fund Replenished / Liquidated	Total Disbursement Using SOE Procedure	Disbursement Procedure
1	2	3	4	5	6=4x5	7	8	9= 7+8		
T4-0001	WA 001	001	01	28,059	100%	28,059	28,059		28,059	SOE
T4-0002	WA 002	001	01	108,537	100%	108,537	108,537		108,537	Documented
T4-0003	WA 003	001	01	34,470	100%	34,470	34,470		34,470	Documented
T4-0004	WA 004	001	01	140,323	100%	140,323	140,323		140,323	Documented
Total claim up to 31st March 2015				311,389		311,389	311,389		311,389	
		001								
DISBURSEMENT CLAIMS of FY 2014-2015 SUBMITTED AFTER 31ST MARCH 2015										
T4-0005	WA 005		01	208,791	100%	208,791	208,791		208,791	Documented
Total claim after 31st March 2015				208,791		208,791	208,791		208,791	
Total Claim FY 2014 - 2015				520,180		520,180	520,180		520,180	

DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2013-2014

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014 - 2013 - 2014

NO CLAIMS DURING 2013-14



North Karnataka Urban Sector Investment Program - Project 4 - 3088 IND

Date of Loan Agreement	:	16 September 2014
Date of Loan Effectiveness	:	04 December 2014
Date of Physical Closure	:	05 December 2016
Date of Financial Closure	:	30 June 2017

KEY TERMS & CONDITIONS; INTEREST AND DISBURSEMENT

Section 2.01.

- (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of sixty three million three hundred thousand Dollar (\$63,300,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.
- (b) The Loan has a term of 25 years, including a grace period of 5 years, as provided in Schedule 2 in the Loan Agreement

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1st June and 1st December in each year.

Disbursement Procedures

Except as ADB may otherwise agree, all Goods, Works and Consulting Services to be financed out of the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook as amended from time to time.



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFES / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

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

STATEMENT OF IMPREST ACCOUNT
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015

in (INR) '000

Balance brought forward from previous period		Prior Year	Current Year
Add:			
Advance			
Replenishment received during the year/period			
Interest Earned			
Subtotal (A)	Imprest Account Not Availed		
Deduct :			
Repayments made during the year / period			
Replenishment/Liquidation			
Expenditure yet to be claimed			
Amount refunded during the year/period			
Closing Balance (B)			
As per Bank Statement (Copy attached)	Imprest Account Not Availed		

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 since Imprest Account Not Availed

6.3 Details of Payments made directly by ADB are given below

Not Applicable since no direct payments by ADB under the project

6.4 Details of payments made through commitment procedure

Not Applicable since no commitment procedure used

6.5 Details of Grants

Not Applicable since no Grants given by ADB



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFES / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT

Loan / Grant No : 3088 IND

NOTES TO THE FINANCIAL STATEMENTS

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

**DISBURSEMENT CLAIMED UNDER STATEMENT OF EXPENDITURE (SOE) PROCEDURE
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015**

Application No.	W/Appl. No.	SOE sheet No	Category	Total amount paid Eligible Amount	ADB Financing %	Net Eligible Expenses	Amount Reimbursed	Imprest Fund Replenished / Liquidated	Total Disbursement Using SOE Procedure	Disbursement Procedure
1	2	3	4	5	6=4x5	7	8	9= 7+8		
T4-0001	WA 001	001	01	28,059	100%	28,059	28,059		28,059	SOE
				28,059		28,059	28,059		28,059	

The financing percentages within the table for ADB funds are as per loan agreement schedule 3

6.6

**DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2013-2014
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014 - 2013 - 2014**

NO CLAIMS DURING 2013-14



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFES / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

NOTES TO THE FINANCIAL STATEMENTS

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2015

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

in (INR) '000

Particulars	Current Year	Prior year	Cumulative Year to date
(a) Component A: Upgraded Water Supply Network - Upgrading and expansion of potable water systems to provide continuous water supply (24/7) in 12 ULBs (Basavakalyan, Bellary, Bidar, Gadag-Betegeri, Gokak, Haveri, Hospet, Nipanni, Raichur, Shahabad, Sindhanur and Yadgir);	404,385		404,385
(b) Component B: Expanded Sewerage Infrastructure - Completion of sewerage schemes initiated under Project 1 in 3 ULBs (Haveri, Hospet and Raichur); and	73,251	76,521	149,772
(c) Component C: Improved Municipal Infrastructure – (i) Improvements to 1 urban water body in 1 ULB (Raichur), consisting of cleaning/improvements to intercepting drains, and (ii) rehabilitation of urban roads in Badami and Ilkal through improvements in surface and drains;	6,640		6,640
(d) Component D: Strengthened Service Delivery Management Capacity – Provision of capacity development programs on public-private partnership and performance-based contracting to ULBs, staff, consultants and contractors, and practical training to plumbers on sewerage connections; and	-		-
(e) Component E: Enhanced Project Management and Implementation Capacity - Provision of continued assistance to the PMU and PIUs for Project implementation, and training to strengthen safeguards implementation.	-		-
Total	484,275	76,521	560,796



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KSFEs / KUIDFC

Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4

Loan / Grant No : 3088 IND

STATEMENT OF APPROPRIATION VS ACTUAL

Cost Categories	For the Current Year Ended 2015				For the Prior Year Ended 2014				Cumulative from [beginning of Project] to year to date			
	Budgeted Expenditure in (INR) '000	Actual Expenditure in (INR) '000	Utilisation Percentage %	Variance in (INR) '000	Budgeted Expenditure in (INR) '000	Actual Expenditure in (INR) '000	Utilisation Percentage %	Variance in (INR) '000	Budgeted Expenditure in (INR) '000	Actual Expenditure in (INR) '000	Utilisation Percentage %	Variance in (INR) '000
Investment costs 2												
Civil Works	538,083	484,275	90%	53,808	76,521	76,521			614,604	560,796	91%	53,809
Total Payments (C = A + B)	538,083	484,275	90%	53,808	76,521	76,521	-	-	614,604	560,796	91%	53,809
Financing Charges During Implementation		-										
Total Project Cost	538,083	484,275	90%	53,808	76,521	76,521	-	-	614,604	560,796	91%	53,809
Grand Total of Expenditures in USD		7766				1227				8994		

Note : Budgeted expenditures are based on the progress targeted in the works, the same are indicated to GOK, GOI and ADB.



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KSFEs / KUIDFC in (INR) '000
Name of the project : NORTH KARNATAKA URBAN SECTOR INVESTMENT PROGRAMME - PROJECT 4
Loan / Grant No : 3088 IND

EXPENDITURE BY OUTPUT COMPONENTS

Cost Categories		Unallocable common costs			Total Expenditure		
		Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date
Investment costs 2							
Civil Works							
Component A	Output 1		404,385	404,385		404,385	404,385
Component B	Output 2	76,521	73,251	149,772	76,521	73,251	149,772
Component C	Output 3		6,640	6,640		6,640	6,640
Total Cost		76,521	484,275	560,796	76,521	484,275	560,796



Karnataka Urban Infrastructure Development and Finance Corporation Ltd, Bangalore.

CIN No. U85110KA1993SGC014869

ADB assisted NKUSI Project Loan 3088 IND - Balance Sheet as at 31st March 2015

	PARTICULARS	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
I	EQUITY & LIABILITIES			
	Shareholders' Funds			
	Share Capital		-	-
	Reserves & Surplus		-	-
	Non-Current Liabilities			
	Other Long Term Liabilities	1	18,95,67,226	-
	Long Term Provisions		-	-
	Current Liabilities			
	Short Term Borrowings		-	-
	Other Current Liabilities	2	5,78,35,137	6,23,81,453
	Short Term Provisions		-	-
	TOTAL OF EQUITY & LIABILITIES		24,74,02,363	6,23,81,453
II.	ASSETS			
	Non-Current Assets			
	Fixed Assets			
	Tangible Assets		-	-
	Intangible Assets		-	-
	Capital Work-In-Progress		-	-
	Deferred Tax Assets (Net)		-	-
	Long-Term Loans and Advances	3	18,95,67,226	-
	Current Assets			
	Cash and Bank Balances	4	5,78,35,137	5,47,29,392
	Short-Term Loans and Advances	5	-	76,52,061
	Other Current Assets		-	-
	TOTAL OF ASSETS		24,74,02,363	6,23,81,453
	Notes on Financial Statements	1 to 12		

Notes referred above are an integral part of Financial Statements

Place: Bangalore
Date : 23-09-2015

for KUIDFC Ltd

(K.M.Ramesh)
Gen. Manager- Project FinanceAs per our report of even date
for SNR & Company
Chartered Accountants
FRN: 014401N(Ritesh Sharma)
Partner M. No: 210900

ADB assisted NKUSI Project- Notes on Financial Statements for the year ended 31st March 2015

PARTICULARS	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
1. Other Long Term Liabilities		
Outstanding Principal Due to GOK-UIDF-RF	18,95,67,226	-
TOTAL	18,95,67,226	-
2. Other Current Liabilities		
Government of Karnataka A/c (NKUSIP) #	5,78,35,137	6,23,81,453
Other Payables *	-	-
TOTAL	5,78,35,137	6,23,81,453
3. Long-term loans and advances		
Outstanding NKUSI Project Loan Due from IA's **		
CMC-Gadag Betgeri	2,94,99,610	-
CMC- Haveri	1,52,03,157	-
CMC-Gokak	1,62,22,758	-
CMC- Nipani	1,72,89,398	-
Bellary Corporation	2,77,25,956	-
CMC- Hospet	1,85,30,876	-
CMC- Raichur	3,20,77,937	-
CMC- Sindhanur	3,30,17,534	-
TOTAL	18,95,67,226	-
4. Cash and Bank/Treasury Balances		
PD A/c with State Govt- NKUSIP	57,835,137	54,729,392
TOTAL	5,78,35,137	5,47,29,392
5. Short-Term Loans and Advances		
Other Receivable **	-	76,52,061
Inter Project Receivable	-	-
TOTAL	-	76,52,061



6. PROJECT DESCRIPTION

The North Karnataka Urban Sector Project - Project 4 - Loan 3088 IND

A. Impact and Outcome

The impact of the proposed Project 4 is improved quality of life in 14 ULBs in North Karnataka. The expected outcome will be improved urban service delivery in 14 ULBs in North Karnataka.

B. Outputs

Project 4 will have five outputs: (1) upgraded water supply network; (2) expanded sewerage infrastructure, (3) improved municipal infrastructure, (4) strengthened service delivery management capacity, and (5) enhanced project management and implementation capacity.

Project 4 will support the following

(i) Output 1: will upgrade and expand potable water systems to provide continuous water supply (24/7) in 12 ULBs (Basavakalyan, Bellary, Bidar, Gadag-Betegeri, Gokak, Haveri, Hospet, Nipanni, Raichur, Shahabad, Sindhanur and Yadgir). The scope includes rehabilitated and new reservoirs (29 ML capacity), 1800 km of new/rehabilitated water network, 128,000 connections and the installation of 289,000 new household meters.

(ii) Output 2: will complete sewerage schemes initiated under Project 1 (including treatment) in three ULBs (Haveri, Hospet and Raichur). The scope of sewerage works includes the construction of three sewage treatment plants with a total treatment capacity of 51 MLDs, 16 and 295 kilometers (km) sewerage network.

(iii) Output 3: will (a) provide improvements to one urban water body in one ULB (Raichur), consisting of 1.6 km of cleaning/improvements to intercepting drains; and (b) rehabilitate urban roads in Badami and Ilkal (6 km) through surface improvements and addition of road drains.

(iv) Output 4: will provide capacity development programs on public-private partnership and performance based contracting, for ULB and project staff, consultants and contractors; as well as practical training for plumbers to provide sewerage connections.



(v) Output 5: will (a) continue consultancy assistance to the program management unit (PMU) and program implementation units (PIUs) throughout tranche 4, and (b) provide training to strengthen safeguards implementation.

Loan Amount and Terms

The loan is of \$ 63.3 million from the Ordinary Capital Resources of the Asian Development Bank

Period of Loan Utilization

The project is expected to be completed by 5 December 2016 and disbursements from the loan account will be up to 30 June 2017

Cost Estimates

The total cost of the Sector Loan is estimated at US\$440 million. The Government of India will onlend the proceeds of the loans under the MFF to GoK on the same terms and conditions as the ADB loans. The financing plan for the Investment Program and the first PFR are presented in Table

Table : Financing Plan of the Investment Program and First PFR
(\$ million)

Source	Investment Program (\$ Mn)	Share (%)	PFR (\$ Mn)	Share (%)
ADB	270.0	61	63.3	69.5
GoK and other agencies	170.0	39	27.8	30.5
Total	440.0	100	91.1	100

Additional Notes:

- The Department of company affairs vide Notification No. S.O.1355 (F) Dt 10.6.2011, notified KUIDFC as Public Financial Institution (PFI) under sub - section (2) of section 4A of Companies Act'1956 so repealed under section 465 of Companies Act'2013.
- Interest is calculated on the loan component of project releases as per Govt. orders subject to applicable moratorium on all projects handled by the Company. The interest receivable is credited to GoK and debited to the respective Implementing Agencies.
- There was no direct inflow of foreign currency during the year. However, during the year Govt. of India has received in respect of NKUSI Project under Loan No. 2312-IND a sum of US\$ 1,715,688.16 (US\$ 5,701,148), Loan No. 2638-IND a sum of



US\$ 12,294,524 (US\$ 18,118,813), under Loan No. 2882- IND a sum of US\$ 13,612,165 (US\$ 2,398,314) and under Loan No. 3088- IND a sum of US\$ Nil (US\$ 49,64,181) from Asian Development Bank. (Source: Asian Development Bank -Loan Financial Information Services (LFIS) and World Bank-Client connection)

10. As on March 31, 2015, the Company has no outstanding dues to Units covered by Micro, Small and Medium Industries Development Act, 2006.
11. Advances under project including EAP are released as per contractual terms against BG and adjustments are made in the running bill/monthly bills for contractor/consultants/NGO's. Advances given to IAs are adjusted against utilization certificates furnished as per the funding agencies guidelines.

12. SIGNIFICANT ACCOUNTING POLICIES:

12.1 General :

- i. The Financial Statements are prepared under the historical cost convention on an accrual basis and in accordance with the mandatory accounting standards as prescribed under section 133 of Companies Act'2013 read with Rule 7 of the Companies (Accounts) Rules,2014 (to the extent notified).
- ii. All items of Income and expenditure having a material bearing on the Company's Financial Statements are recognized on accrual basis except as stated otherwise.
- iii. Use of Estimates: The preparation of financial statements in conformity with the Principles in India requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of Assets, Liabilities, Income, Expenses and disclosures of contingent liability on the date of financial statements. Actual results could differ from those estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to the accounting estimates is recognized prospectively in Current and future Period.

12.2 Treatment of grants :

- i. The Company receives project specific grants both under externally aided projects and centrally sponsored schemes. To the extent grants are utilised for acquisition of fixed assets, equivalent amount is transferred from project grant account to capital reserve.
- ii To the extent grants are utilised for release as loan to the Implementing Agencies, equivalent amount is transferred from Project grant account 'due to' respective



scheme/project accounts. To the extent amounts are released as grant to the implementing agencies, the same is charged off against the grants received from the Government.

12.3 Revolving Funds:

- i. As per relevant Government Order, Mega City Revolving Fund (MCRF) under the centrally sponsored Mega City scheme and Urban Infrastructure Development Fund (UIDF) under Externally Aided Projects and Centrally Sponsored Schemes are maintained to which loan repayments by the Implementing Agencies, interest on loan component recovered from Implementing Agencies and earnings on deployment of unutilised project grants are credited on realisation basis.

12.4 Revenue Recognition:

- i. In accordance with GoK letter No. UDD 13 PRJ 06 dated 3.5.2006, in lieu of Management fee, the administrative expenses of the Company will be provided by the Government through the Budget.
- ii. Management Fee payable by GOK is recognized as income to the extent of administrative expenses of the respective financial year.

12.5 Fixed Assets :

- i. Fixed assets are stated at cost, less accumulated depreciation.
- ii. The depreciation is charged on non project assets over the useful lives of assets at the rates and manner stipulated under schedule II of the Companies Act, 2013 on Written Down Value method, commencing from the date the asset is available in the company for its use.
- iii. Leasehold Land is Amortized over the lease period.
- iv. Intangible Assets are amortized over their respective individual estimated useful lives on Written Down Value method, commencing from the date the asset is available in the company for its use.
- v. No depreciation is charged on the assets acquired under projects as the same are acquired out of the grants received under the specific projects. Residual cost if any, after setting off the value realised on disposal of such assets on completion of the project, shall be set off against the specific project grant.

12.6 Impairment of Assets:



- i. Assets belonging to the Company (not project Assets) are treated as impaired when the carrying cost of such assets exceed their recoverable value. Impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired.

12.7 Investments :

- i. Investments are classified as long term investments and stated at cost. No provision is made for temporary decline/increase in value of Investments.

12.8 Taxation :

- i. The provision for Income Tax is calculated in accordance with the relevant tax regulations applicable to the Company.
- ii. Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax assets and liability are measured as per the tax rates/ laws that have been enacted or substantively enacted by the balance sheet date and are reviewed for appropriateness of their respective carrying values at each balance sheet date.

12.9 Retirement Benefits:

Provisions for/ Contributions to retirement benefits schemes are made as follows:

- i. Provident fund on actual liability basis.
- ii. Gratuity based on actuarial valuation through Group Gratuity Policy of I.I.C.
- iii. Leave Encashment benefits on actual liability basis.

12.10 Preliminary Expenses :

- i. Preliminary expenses are accounted as per Accounting Standard 26 of The Institute of Chartered Accountants of India.

Place : Bangalore

Date : 23-09-2015



(K.M.Ramesh)

General Manager - Project Finance



As per our report of even date

for SNR & Company,
Chartered Accountants

FRN: 014401N



(Ritesh Sharma)

Partner M.No: 210900

