

Audited Project Financial Statements

Project Number: 38254
Loan Number: 3088
Period covered: 1 April 2013 to 31 March 2014

IND: North Karnataka Urban Sector Investment Program (Tranche 4)

Financed by the ADB's Ordinary Capital Resources

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

For the Asian Development Bank
Date received by ADB: 20 October 2014

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 Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC).

ಕರ್ನಾಟಕ ನಗರ ಮೂಲಸೌಕರ್ಯ ಅಭಿವೃದ್ಧಿ

ಮತ್ತು ಹಣಕಾಸು ನಿಗಮ ನಿಯಮಿತ

ನೋಂದಾಯಿತ ಕಛೇರಿ : ಸಿಲ್ವರ್ ಜುಬಿಲಿ ಬ್ಲಾಕ್,

ಎರಡನೇ ಮಹಡಿ, ಯುನಿಟ ಬಿಲ್ಡಿಂಗ್ ಅನೆಕ್ಸ್, 3ನೇ ಅಡ್ಡರಸ್ತೆ,

ಮಿಷನ್ ರಸ್ತೆ, ಬೆಂಗಳೂರು-560 027

ದೂರವಾಣಿ: 080 - 22232021, 22232134, ಫ್ಯಾಕ್ಸ್: 22232157



Karnataka Urban Infrastructure Development & Finance Corp. 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 27, 2014

Mr.Fei Yue

Director, Urban Development Division & Water Division,

South Asia Department

6 ADB AVENUE,

Mandaluyong City

1550 Metro Manila

Philippines

Sir,



**Sub : ADB assisted NKUSIP Project – Loan No. 3088 IND – Project 4 -
Submission of audited Annual Financial Statement (AFA) and Audited
Project Accounts (APA) - FY 2013-14 – 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 2013-14 and Audited Project Accounts(APA), certificate of verification audit dated 26.09.2014 under NKUSIP Loan No. 3088 IND – Project – 4, for the FY 2013-14, 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.
3. Ms. M. Teresa Kho, Country Director, Asian Development Bank, India Resident Mission, 4, San Martin Marg, Chanakyapuri, NEW DELHI – 110 021

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, 2014, 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 and in accordance with the requirements of the accounting standards referred to in Section 133 of the Companies Act 2013 ("the Act"), relevant to preparing such financial statements, including the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 2014, 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, 2014 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 N


Ritesh Sharma

Partner

ICAI Membership No.210900

Bangalore: 26th September, 2014



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

Name of IA : Respective ULBs / KSFS / 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 2014

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	1			
Funds received from Government ²		1,31,250		1,31,250
ADB Loan ³			-	-
ADB Grant ³			-	-
Co - financier ¹			-	-
Co - financier ²			-	-
Beneficiary Contribution (if any)			-	-
Other receipts such as interest income, sale from disposals of fixed assets etc.			-	-
Total Receipts (B)		1,31,250	-	1,31,250
Total (C = A + B)		1,31,250	-	1,31,250
Payments	2			
Investment costs ⁴				
Civil Works		76,521	-	76,521
Total Payments (D)		76,521	-	76,521
Financing Charges During Implementation (E)		-	-	-
Total Project Cost (F=D+E)		76,521	-	76,521
Closing Balance (C- D)		54,729	-	54,729

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 4 of the financial statements form an integral part of these financial statements

[Signature]
24/9/14
By No. 210900



[Signature]
PROJECT FINANCE
KUIDFC, BANGALORE

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

NOTE : 1

Name of IA : Respective ULBs / KSFS / 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 2014

in (INR) '000

Particulars	ADB			Co-Financier		Government		Total Expenditure
	Percentage of Financing	Actual Expenditure		Actual Expenditure		Actual Expenditure		
		Amount	%	Amount	%	Amount	%	
Investment costs 2								
Civil Works								76,521
Total Cost (C = A + B)								76,521
% OF Total project Cost								1%
Total Project Cost for indicative as at 31.3.2014		37,98,000				16,68,000		54,66,000

Note : 1. Loan Agreement signed 16th September 2014 and project is yet to become effective

2. In view of Note 1 expenditure shown in the total columns

Note : INDICATIVE PROJECT COST AS AT 31.3.2014

Tranches	ADB	GoK	Total
Tranche 4 - 3088 IND IN USD	63.30	27.80	91.10
Project cost in INR approximate @ 60 / USD in INR '000	37,98,000	16,68,000	54,66,000

Note : ADB letters for exchange rate indicate RBI Indicative rate @ 60.15 / USD, the same is used for calculation indicative project cost

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26/4/14
M No. 210900

SNR & COMPANY
No. 605, 2nd Floor,
60th Cross, 5th Block,
Hulimagar,
Bangalore-10
Chartered Accountants

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GM-PROJECT FINANCE
KUIDFC, BANGALORE

NOTE : 2

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 2

Loan / Grant No : 3088 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014

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	6.1	Agreement Signed as at 16.9.2014		
Imprest Fund	6.2			
Direct payment	6.3			
Commitment Letter	6.4			
Subtotal	(A)			
Total Expenditure made during the year	(B)	76,521	-	76,521
Less :				
Expenditure not yet claimed	(C)	76,521		76521
Borrower's share	(D)			
Total Eligible Expenditure claimed (B - C - D = E = A)	(E)	(0)	-	(0)



NOTE : 3**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 34****Loan / Grant No : 3088 IND****Funds Received from the Government**

Give details of the government budgeting and funding mechanism

	Current Year	Prior year	Cumulative Year to date
Government counterpart funding Amount Reimbursable to Government	131250	0	131250
	131250	0	131250

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

	Current Year	Prior year
Government approved above funds th	6/7/2013	3/8/2012
Government order dates as detailed in	7/12/2013	6/12/2012
respective years	28/03/2014	



NOTE : 4

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 1

Loan / Grant No : 3088 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014

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	Agreement Signed ^{on} as at 16.9.2014		
- 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				

Funds Received from ADB through Reimbursement Method

Give details, If necessary



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

Date of Loan Agreement : 16 September 2014
Date of Loan Effectiveness : Effectiveness yet to be declared
Date of Physical Closure : 31 December 2015
Date of Financial Closure : 30 June 2016

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 thirty three million dollars (\$ 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 to this 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 LIBOR and 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 a maturity premium of 0.10% as provided by Sec 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 full amount of the Loan (less amounts withdrawn from time to time), commencing sixty (60) days after the date of this Loan Agreement.

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

Disbursement Procedures

3. 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 ADB's "Loan Disbursement Handbook" dated January 2013 (ADB's Loan Disbursement Handbook) as amended from time to time.



NOTE : 5

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 1

Loan / Grant No : 3088 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014

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 2014

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	

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

Details of Payments made directly by ADB are given below

Not Applicable since no direct payments by ADB under the project

Details of payments made through commitment procedure

Not Applicable since no commitment procedure used

Details of Grants

Not Applicable since no Grants given by ADB



NOTE : 6

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 34

Loan / Grant No : 3088 IND

NOTES TO THE FINANCIAL STATEMENTS
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014

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 2014**

[illegible]

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



NOTE : 7

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 1

Loan / Grant No : 3088 IND

NOTES TO THE FINANCIAL STATEMENTS

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2014

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

in (INR) '000

	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);	-		-
(b) Component B: Expanded Sewerage Infrastructure - Completion of sewerage schemes initiated under Project 1 in 3 ULBs (Haveri, Hospet and Raichur); and	76,521		76,521
(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;	-		-
(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.	-		-
	76,521	-	76,521



NOTE : 8

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 20xx				For the Prior Year Ended 20xx				Cumulative from [beginning of Project] to year to date			
	Budgeted Expenditure	Actual Expenditure	Utilisation Percentage	Variance	Budgeted Expenditure	Actual Expenditure	Utilisation Percentage	Variance	Budgeted Expenditure	Actual Expenditure	Utilisation Percentage	Variance
	in (INR) '000	in (INR) '000	%	in (INR) '000	in (INR) '000	in (INR) '000	%	in (INR) '000	in (INR) '000	in (INR) '000	%	in (INR) '000
Investment costs 2												
Civil Works	76,521	76,521	100%	-		-			76,521	76,521	100%	-
Total Payments (C = A + B)	76,521	76,521	100%	-	-	-	-	-	76,521	76,521	100%	-
Financing Charges During Implementation		-				-				-		
Total Project Cost	76,521	76,521	100%	-	-	-	-	-	76,521	76,521	100%	-
Grand Total of Expenditures in USD												



NOTE : 9

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

EXPENDITURE BY OUTPUT COMPONENTS

Cost Categories	Unallocable common costs			Output1			Output 2			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
Investment costs 2												
Civil Works	-	76,521	76,521	-	76,521	76,521				-	76,521	76,521
Total Cost (C = A + B)	-	76,521	76,521	-	76,521	76,521				-	76,521	76,521
% of Total Project Cost		1%										



PARTICULARS	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
EQUITY & LIABILITIES		₹	₹
Shareholders' Funds			
Share Capital	1	-	-
Reserves & Surplus	2	0	0
Non-Current Liabilities			
Other Long Term Liabilities	3	0	0
Long Term Provisions	4	0	0
Current Liabilities			
Short Term Borrowings		0	0
Other Current Liabilities	5	6,23,81,453	0
Short Term Provisions	6	-	-
TOTAL OF EQUITY & LIABILITIES		6,23,81,453	0
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	7	0	
Intangible Assets	7	0	
Capital Work-in-Progress	7	-	-
Deferred Tax Assets (Net)	8	-	-
Long-Term Loans and Advances	9	0	0
Current Assets			
Cash and Bank Balances	10	5,47,29,392	0
Short-Term Loans and Advances	11	76,52,061	0
Other Current Assets	12	0	0
TOTAL OF ASSETS		6,23,81,453	0
Notes on Financial Statements	1 to 32		

Notes referred above are an integral part of Financial Statements

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PROJECT FINANCE
KUIDFC, BANGALORE

ADB assisted NKUSI Project- Notes on Financial Statements for the year ended 31st March 2014

PARTICULARS			
5. Other Current Liabilities			
Government of Karnataka A/c (NKUSIP) #		6,23,81,453	0
Other Payables *		0	0
TOTAL		6,23,81,453	0
10. Cash and Bank/Treasury Balances			
PD A/c with State Govt- NKUSIP		5,47,29,392	
TOTAL		5,47,29,392	0
11. Short-Term Loans and Advances			
Other Receivable **		76,52,061	0
TOTAL		76,52,061	0



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March'2014

Additional Notes:

1. The Department of company affairs vide Notification No. S.O.1355 (E) Dt 10.6.2011, notified KUIDFC as Public Financial Institution (PFI) under sub - section (2) of section 4 A of Companies Act'1956.
2. The exchange gain / loss are accounted in respect of balances in assets and liabilities at the year end and are charged to the project completion on actual basis, where foreign exchange transaction are involved.
3. 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
4. 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. 3088-IND a sum of US \$ Nil (US \$ Nil) from Asian Development Bank.
5. As on March 31, 2014, the Company has no outstanding dues to Units covered by Micro, Small and Medium Industries Development Act, 2006.
6. 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.
7. Figures in brackets represent figures for the previous year. All figures are rounded off to the nearest rupee. Previous year figures have been regrouped/ rearranged wherever considered necessary to conform to the current year's classification.

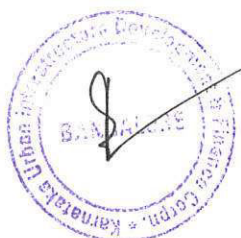
SIGNIFICANT ACCOUNTING POLICIES

General :

- iv. The Financial Statements are prepared under the historical cost convention on an accrual basis and in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.
- 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.

Treatment of grants :

- iv. 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.

Revolving Funds:

- iv. As per relevant Government Order, Mega City Revolving Fund (MCRF) under the centrally sponsored mega city scheme and Urban Infrastructure Development Fund (UIDF) under the ADB assisted KUIDP & KUDCEM Projects 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.

Revenue Recognition:

- vii. 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.
- viii. Management Fee payable by GOK is recognized as income to the extent of administrative expenses of the respective financial year.

Fixed Assets :

- x. Fixed assets are stated at cost, less accumulated depreciation.
- xi. The depreciation is charged on non project assets at the rates and manner stipulated under schedule XIV of the Companies Act, 1956 on Written Down Value method. Leasehold Land is depreciated over the lease period.
- xii. 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.

Impairment of Assets:

- iv. 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.

Investments :

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

Taxation :

- vii. The provision for Income Tax is calculated in accordance with the relevant tax



regulations applicable to the Company.

- viii. 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.

Retirement Benefits:

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

- x. Provident fund on actual liability basis.
- xi. Gratuity based on actuarial valuation through Group Gratuity Policy of LIC.
- xii. Leave Encashment benefits on actual liability basis.

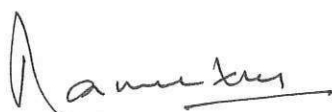
Preliminary Expenses :

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

Place : Bangalore

Date : 26.09.2014






(K.M.Ramesh)

General Manager - Project Finance
Company Secretary -I/c



As per our report of even date
for SNR & Company,
Chartered Accountants

 26/9/14
(Ritesh Sharma)
Partner
PC No-210900