

Audited Project Financial Statements

Project Number: 43253-025
Loan/Grant Number: Loan 3148-IND
Period covered: 1 April 2016 to 31 March 2017

IND: Karnataka Integrated Urban Water Management Investment Program – Tranche 1

Prepared by Karnataka Urban Infrastructure Development and Finance Corporation,
Bangaluru, Karnataka

For the Asian Development Bank
Date received by ADB: 18 September 2017

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 Karnataka Urban Infrastructure Development and Finance Corporation, Bengaluru.



SDG
AK

No. KUIDFC/FIN/ADB/AUD-APA/2017-18/2709

September 8, 2017

✓ **Mr. Kenichi Yokoyama,**
Country Director,
Asian Development Bank,
India Resident Mission,
P.O.Box-5331,4, San Martin Marg,
Chanakyapuri,
New Delhi - 110 021



Sir,

Sub: ADB assisted KIUWMI Project - Loan No. 3148 IND - Project 1- Submission of audited Annual Financial Statement (AFA) and Audited Project Accounts (APA) - FY 2016-17 - 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 2016-17 and Audited Project Accounts (APA), certificate of verification audit dated 06.09.2017 under KIUWMIP Loan No. 3148 IND - Project-1, for the FY 2016-17, issued by M/s. G.V Acharya & Co, Chartered Accountants, Bangalore for your information and records.

Thanking you,

Yours faithfully,

General Manager - Project 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. Additional Secretary to Gok, (FR), Finance Dept, 1st Floor, 3rd Stage, M.S Building, Bangalore



G.V. ACHARYA & Co.

CHARTERED ACCOUNTANTS

Partners : G. Vamanacharya, B.Com., F.C.A., G.V. Shreesh Acharya, B.Com., F.C.A., DISA

310, 3rd Floor, 9/1, Commerce House, Cunningham Road, Bangalore - 560 052
☎ : 22202065 / 22285903 e-mail : gvacharyaco@gmail.com web : www.cagvacharya.com

Ref. :

Date : 06.09.2017

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 KARNATAKA INTEGRATED URBAN WATER MANAGEMENT INVESTMENT PROGRAM (KUIWMIP) ("Project") assisted by Asian Development Bank ("ADB") under Multi tranche Financing Facility and Loan No 3148-IND("Loan") implemented by KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED("the company") which comprise of Project Balance Sheet as of March 31,2017, 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 2017, 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, 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 KIUWMIP for the loan for the year ended March 31, 2017 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 G.V Acharya & Co.,
Chartered Accountants
ICAI Firm's Registration No. 000029S

G. Vamanacharya
G.Vamanacharya
Partner
ICAI Membership No.009850
Place:Bangalore
Date: 06TH September, 2017



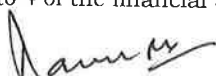
Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP)- PROJECT 1
Loan / Grant No : 3148 IND

STATEMENT OF RECEIPTS AND PAYMENTS
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017

In (INR) '000


Particulars	Note reference	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)		1,91,263	1,50,663	-
Receipts				
Funds received from Government ²		5,00,000	3,75,000	11,75,000
ADB Loan 3				-
ADB Grant 3				-
Co - financier 1				-
Co - financier 2				-
Beneficiary Contribution (if any)		5,000	-	5,000
Other receipts such as interest income, sale from disposals of fixed assets etc.		1,91,266	(67,319)	1,89,483
Total Receipts (B)		6,96,266	3,07,681	13,69,483
Total (C = A + B)		8,87,529	4,58,344	13,69,483
Payments				
Investment costs 4				
Civil Works		5,00,396	2,25,453	8,98,599
Equipments				-
other cost - Land Acquisition		138	-	13,751
Total Investments (D)		5,00,534	2,25,453	9,12,350
Recurrent Costs				
Consultancy and Administration		61,666	41,628	1,31,804
Total Payments (E)		5,62,200	2,67,081	10,44,154
Financing Charges During Implementation (F)		13,783	9,054	22,837
Total Project Cost (F= E + F)		5,75,983	2,76,135	10,66,991
Closing Balance (C- E)		3,25,329	1,91,263	3,25,329

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

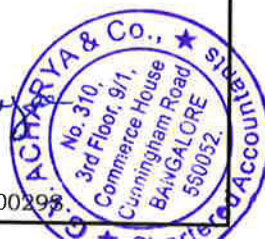

(K.M. Ramesh)

General Manager - Project Finance
KUIDFC




(G. Vamanacharya)
Partner M.No: 009850

G.V.Acharya & Co, FRN: 0000293



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

**STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017**

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	79%	7,09,188	79%			1,89,411	21%	8,98,599
Equipments	89%	-	-			-	-	-
other cost - Land Acquisition	0%	-	0%			13,751	100%	13,751
Consultancy and Administration	0%	-	0%			1,31,804	100%	1,31,804
Total Cost		7,09,188	68%			3,34,966	32%	10,44,154
% OF Total project Cost		14%				13%		14%
Total Project Cost for indicative as at 31.3.2017		49,16,550				26,74,603		77,09,150

Note : 1. Loan Agreement signed 30th December 2014 and project was effective from

Note : INDICATIVE PROJECT COST AS AT 31.3.2017

Tranches	ADB	UFPF	GoK	Total
Tranche 1 - 3148 IND IN USD	75.00	1.80	40.80	117.60
Project cost in INR approximate @ 65.554 / USD in INR '000	49,16,550	1,17,997	26,74,603	77,09,150

Note : ADB letters for exchange rate indicate RBI indicative rate @ 65.554 / USD, the same is used for calculation indicative project cost

K.M. Ramesh

(K.M. Ramesh)

General Manager - Project Finance
KUIDFC

G. Vamanacharya

(G. Vamanacharya)

Partner M.No: 009850

G.V. Acharya & Co, FRN: 000029S



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

Name of LA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

4. Funds Received from the Government

Give details of the government budgeting and funding mechanism

In (INR) '000			
Particulars	Current Year	Prior year	Cumulative Year to date
Government counterpart funding Amount Reimbursable to Government	5,00,000	3,75,000	11,75,000
Government of Karnataka has provided budgetary allocation and released the project funds to KUIDFC			
Total	5,00,000	3,75,000	11,75,000

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	28-Jun-16	27-Aug-15
	7-Feb-17	29-Dec-15



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017

Statement of Disbursement (Expenditure Incurred)

6 A. 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 (Expenditure)	6.1	4,97,865	2,27,091	8,97,706
submitted during the year		4,59,864	1,93,363	6,53,227
Claims in the subsequent period		38,001	33,728	71,729
Imprest Fund	6.2	-	-	-
Direct payment	6.3	-	-	-
Commitment Letter	6.4	-	-	-
Sub Total	(A)	4,97,865	2,27,091	8,97,706
Total Expenditure made during the year	(B)	5,62,200	2,67,081	10,44,154
Add : Prior year eligible	(C)	-	-	-
Add : Statutory remittances/deductions	(D)	(2,531)	1,638	(893)
Less : Borrower's share & Ineligible	(E)	61,804	41,628	1,45,555
Total Eligible Expenditure claimed (B + C + D - E = A)	(E)	4,97,865	2,27,091	8,97,706

6. B - RECONCILIATION OF ADB REIMBURSEMENT CUMULATIVE RECEIVED in (INR) '000

AS per ADB LFIS		7,09,188		
AS per KUIDFC claims			cumulative	REMARKS
Current Year (2016-2017)		4,19,958	7,09,188	ADB reimbursement includes up to April'2017
Previous Year (2015-2016)		2,89,230	2,89,230	
TOTAL KUIDFC CLAIMS REIMBURSED		7,09,188		
ANY DIFFERENCE		0		



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017

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	3,93,313	1,79,402	7,09,188
Reimbursement during the year		3,63,293	1,52,757	5,16,050
Reimbursement in the subsequent period		30,020	26,645	56,666
- By Imprest Account	6.2			
- By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total		3,93,313	1,79,402	7,09,188
ADB Grant				
ADB loan and Grant Total		3,93,313	1,79,402	7,09,188

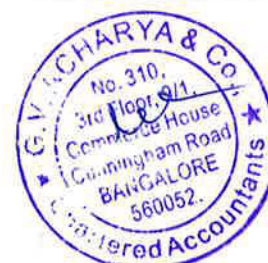
6.1 Funds Received from ADB through Reimbursement Method

**DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2016-2017
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017 - 2016 - 2017**

Application No.	W/App. 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		
DISBURSEMENT CLAIMS of FY 2016-2017 SUBMITTED BEFORE 31ST MARCH 2017										
T1-0009	WA 009		01	1,08,533	79%	85,741	85,741		85,741	Documented
T1-0010	WA 010		01	20,026	79%	15,821	15,821		15,821	Documented
T1-0011	WA 011		01	44,097	79%	34,837	34,837		34,837	Documented
T1-0012	WA 012		01	27,398	79%	21,645	21,645		21,645	Documented
T1-0013	WA 013		01	32,246	79%	25,474	25,474		25,474	Documented
T1-0014	WA 014		01	38,008	79%	30,026	30,026		30,026	Documented
T1-0015	WA 015		01	67,791	79%	53,555	53,555		53,555	Documented
T1-0016	WA 016		01	8,470	79%	6,692	6,692		6,692	SOE
T1-0017	WA 017		01	51,063	79%	40,339	40,339		40,339	Documented
T1-0018	WA 018		01	62,232	79%	49,163	49,163		49,163	Documented
Total claim up to 31st March 2017				4,59,864		3,63,293	3,63,293		3,63,293	
Total claim after 31st March 2017										
T1-0019	WA 019		01	38,001	79%	30,020	30,020		30,020	Documented
Total claim after 31st March 2017				38,001		30,020	30,020		30,020	
GRAND TOTAL CLAIM FOR 2016-2017				4,97,865		3,93,313	3,93,313		3,93,313	

**DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2015-2016
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2016 - 2015 - 2016**

Application No.	W/App. 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		
DISBURSEMENT CLAIMS of FY 2015-2016 SUBMITTED BEFORE 31ST MARCH 2016										
T1-0002	WA 002		01	22,137	79%	17,488	17,488		17,488	Documented
T1-0003	WA 003		01	72,019	79%	56,895	56,895		56,895	Documented
T1-0004	WA 004		01	33,437	79%	26,415	26,415		26,415	Documented
T1-0005	WA 005		01	7,876	79%	6,222	6,222		6,222	Documented
T1-0006	WA 006		01	26,178	79%	20,681	20,681		20,681	Documented
T1-0007	WA 007		01	31,716	79%	25,056	25,056		25,056	Documented
Total claim up to 31st March 2016				1,93,363		1,52,757	1,52,757		1,52,757	
Total claim after 31st March 2016										
T1-0008	WA 008		01	33,728	79%	26,645	26,645		26,645	Documented
Total claim after 31st March 2016				33,728		26,645	26,645		26,645	
GRAND TOTAL CLAIM FOR 2015-2016				2,27,091		1,79,402	1,79,402		1,79,402	



**Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - Project 1 -
3148 IND**

Date of Loan Agreement	:	30 December 2014
Date of Loan Effectiveness	:	07 May 2015
Date of Physical Closure	:	31 March 2019
Date of Financial Closure	:	30 September 2019

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 seventy five million Dollars (\$75,000,000), 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 0.10% 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 15 March and 15 September 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 / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017

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 2017

		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 / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 3148 IND

NOTES TO THE FINANCIAL STATEMENTS
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017

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 2017

In (INR) '000										
Aplication 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		
T1-0016	WA 016		01	8,470	79%	6,692	6,692		6,692	SOE
Total claim up to 31st March 2017				8,470		6,692	6,692		6,692	

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

In (INR) '000										
Aplication 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		
			NO SOE CLAIMS							SOE

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



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

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 3148 IND

NOTES TO THE FINANCIAL STATEMENTS

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017

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

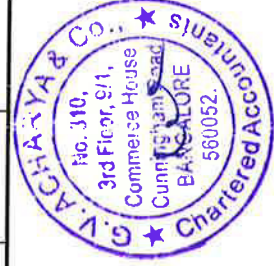
Particulars	Current Year	Prior year	Cumulative Year to date
I) Expenditures by Component for Tranche 1			
Works			
Sanitation Infrastructure			
Davanagere - 01DVG01	98,447	61,166	2,69,613
Davanagere - 01DVG01 A	1,75,291	74,906	2,50,197
Harihara - 01HRA01	1,33,866	92,700	2,89,316
Byadagi - 01BDG01	86,405	10,371	96,776
Statutory remittances	6,387	(13,690)	(7,303)
Equipments	-	-	-
Consultancy & Administration expenses including advances	61,666	41,628	1,31,804
Total Expenditure	5,62,062	2,67,081	10,30,403
II) Land Acquisition	138	-	13,751
Total Expenditure - (I + II) - Loan 3148 IND	5,62,200	2,67,081	10,44,154



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

STATEMENT OF APPROPRIATION VS ACTUAL

Cost Categories	For the Current Year Ended 2017					For the Current Year Ended 2016					Cumulative from [beginning of Project] to year to date					In (INR) '000
	Budgeted Expenditure	Actual Expenditure	Utilisation Percentage	Variance	in (INR) '000	Budgeted Expenditure	Actual Expenditure	Utilisation Percentage	Variance	in (INR) '000	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	%	in (INR) '000		
I) Expenditures by Component for Tranche 1																
Works	5,43,909	5,00,396	92%	43,513		2,45,058	2,25,453	92%	19,605		9,88,966	8,98,599	91%	90,367		
Equipments	-	-	-	-		-	-	-	-		-	-	0%	-		
Consultancy & Admin exp incld advances	61,666	61,666	100%	-		41,628	41,628	100%	-		1,33,294	1,31,804	99%	1,490		
Total	6,05,575	5,62,062	93%	43,513		2,86,686	2,67,081	93%	19,605		11,22,260	10,30,403	92%	91,857		
II) Land Acquisition	138	138	100%	-		-	-	-	-		13,751	13,751	100%	-		
Total Expenditure - (I + II)	6,05,713	5,62,200	93%	43,513		2,86,686	2,67,081	93%	19,605		11,36,011	10,44,154	92%	91,857		
Financing Charges During Implementation	-	13,783	-	-		-	9,054	-	-		-	22,837	0%	-		
Total Project Cost	6,05,713	5,75,983	95%	43,513		2,86,686	2,76,135	96%	19,605		11,36,011	10,66,991	94%	91,857		
Grand Total of Expenditures in USD		8,786					4,212					16,445				



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1
Loan / Grant No : 3148 IND

EXPENDITURE BY OUTPUT COMPONENTS

Cost Categories	Unallocable common costs			Output 1			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
I) Expenditures by Component for Tranche 1												
Works	2,25,453	5,00,396	8,98,599	2,25,453	5,00,396	8,98,599				2,25,453	5,00,396	8,98,599
Equipments	-	-	-	-	-	-				-	-	-
Consultancy & Admin exp incld advances	41,628	61,666	1,31,804	41,628	61,666	1,31,804				41,628	61,666	1,31,804
Total	2,67,081	5,62,062	10,30,403	2,67,081	5,62,062	10,30,403				2,67,081	5,62,062	10,30,403
II) Land Acquisition	-	138	13,751	-	138	13,751				-	138	13,751
Total Expenditure - (I + II)	2,67,081	5,62,200	10,44,154	2,67,081	5,62,200	10,44,154				2,67,081	5,62,200	10,44,154
Financing Charges During Implementation	9,054	13,783	22,837	9,054	13,783	22,837				9,054	13,783	22,837
Total Project Cost	2,76,135	5,75,983	10,66,991	2,76,135	5,75,983	10,66,991				2,76,135	5,75,983	10,66,991
% OF Total project Cost		14%										

In (INR) '000



Karnataka Urban Infrastructure Development and Finance Corporation Ltd, Bangalore.
ADB assisted KIUWMI Programme Balance Sheet as at 31st March 2017

PARTICULARS	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
		Rs.	Rs.
I EQUITY & LIABILITIES			
Shareholders' Funds			
Share Capital			
Reserves & Surplus	1	22,64,410	7,63,103
Non-Current Liabilities			
Other Long Term Liabilities	2	33,37,93,533	15,67,91,175
Long Term Provisions			
Current Liabilities			
Short Term Borrowings	3	14,51,741	13,76,357
Other Current Liabilities	4	41,73,70,374	25,26,44,587
Short Term Provisions			
TOTAL OF EQUITY & LIABILITIES		75,48,80,058	41,15,75,222
II. ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	5	22,64,410	7,63,103
Intangible Assets			
Capital Work-in-Progress			
Deferred Tax Assets (Net)			
Long-Term Loans and Advances	6	33,37,94,533	15,67,91,175
Current Assets			
Cash and Bank Balances	7	32,53,29,013	19,12,62,236
Short-Term Loans and Advances	8	9,25,88,849	4,88,51,571
Other Current Assets	9	9,03,253	1,39,07,137
TOTAL OF ASSETS		75,48,80,058	41,15,75,222
Notes on Financial Statements	1 to 16		

Notes referred above are an integral part of Financial Statements

Place: Bangalore

Date : 6th September 2017



(K.M.Ramesh)

Gen. Manager- Project Finance
KUIDFC



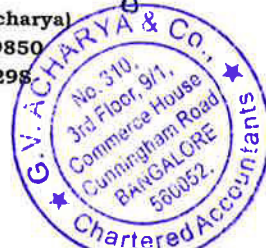
As per our report of even date
for G.V Acharya & Co.
Chartered Accountants



(G. Vamanacharya)

Partner M. No:009850

FRN: 0000298



ADB assisted KIUWMI Programme- Notes on Financial Statements for the year ended 31st March 2017

PARTICULARS	Figures as at the end of current reporting period Rs.	Figures as at the end of previous reporting period Rs.
1. Reserves & Surplus		
Project Reserve:		
Balance as per previous Balance Sheet	7,63,103	1,33,813
Add: Grants Utilised towards :		
(i) Fixed Assets	15,01,307	6,29,290
Less: Deletion/Adjustment of Fixed Assets	-	-
TOTAL	22,64,410	7,63,103
2. Other Long Term Liabilities		
Outstanding Principal Due to GOK-UIDF-RF	33,37,93,533	15,67,91,175
TOTAL	33,37,93,533	15,67,91,175
3. Short Term Borrowings		
Inter Project Payable	14,51,741	13,76,357
TOTAL	14,51,741	13,76,357
4. Other Current Liabilities		
Government of Karnataka A/c (KIUWMI Project) #	31,83,49,537	15,17,18,764
Other Payables *	9,90,20,837	10,09,25,823
TOTAL	41,73,70,374	25,26,44,587
6. Long-term loans and advances		
Outstanding KIUWMI Project Loan Due from IA's **	33,37,93,533	15,67,91,175
Other Deposits *	1,000	-
TOTAL	33,37,94,533	15,67,91,175
7. Cash and Bank/Treasury Balances		
PD A/c with State Govt- KIUWMIP	3,75,00,000	10,50,00,000
Vijaya Bank-Davanagere - KIUWMIP	14,73,141	2,81,477
Vijaya Bank-Mangalore - KIUWMIP	2,30,425	-
Vijaya Bank-Indiranagar- KIUWMIP	17,35,05,447	8,59,80,759
Corporation Bank - Indiranagar - AMRUTH	11,26,20,000	-
TOTAL	32,53,29,013	19,12,62,236
8. Short-Term Loans and Advances		
Advance to Consultants ##	-	5,67,601
Advance to Staff	262	1,126
Other Receivable **	9,24,00,746	4,51,23,143
Inter Project Receivable	1,87,841	31,59,701
TOTAL	9,25,88,849	4,88,51,571
9. Other Current Assets		
Tax Deducted at Source on Deposits #	4,64,701	1,39,637
Interest receivable on Flexi Deposit-KIUWMIP	4,38,552	1,37,67,500
Other Advances ##	-	-
TOTAL	9,03,253	1,39,07,137



Note No 5: Disclosure pursuant to Schedule II to the Companies Act, 2013 (KIUWMIP)

Rs.

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2016	Additions during the Year	Deletions/Adj during the Year	As at 31/03/2017	As at 01/04/2016	For the year	Withdrawn during the year	As at 31/03/2017	As at 31/03/2017	As at 31/03/2016
(i) Tangible assets										
OFFICE EQUIPMENT										
Acqa Guard	-	11,490	-	11,490	-	-	-	11,490		-
UP's Systems	34,867	64,778	-	99,645	-	-	-	99,645		34,867
FURNITURE & FITTINGS										
Furniture & Fittings	4,72,785	7,90,965	-	12,63,750	-	-	-	12,63,750		4,72,785
COMPUTERS & PRINTERS										
Computer	2,55,451	6,34,074		8,89,525	-	-	-	8,89,525		2,55,451
GRAND TOTAL	7,63,103	15,01,307	-	22,64,410	-	-	-	22,64,410	7,63,103	
PREVIOUS PERIOD	1,33,813	6,29,290	-	7,63,103	-	-	-	7,63,103	1,33,813	



NOTES ON FINANCIAL STATEMENTS

10. DETAILED PROJECT DESCRIPTION

Project 1 of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) (the Project) supports improvements in urban infrastructure and services in the following 3 ULBs: Byadagi, Davangere and Harihar, and institutional development, improved municipal management and project implementation capacity across the State. The Project has the following components:

Output 1.1: Water Supply Infrastructure

This output comprises rehabilitation and expansion of potable water supply systems in the 3 ULBs: Byadagi, Davangere and Harihar. The following will be the specific outputs under this component:

- (i) Rehabilitation and expansion of water treatment plants (WTPs) – 13 MLD capacity in Harihar, 79 MLD capacity in Davanagere;
- (ii) Construction of new WTPs – 20 MLD capacity in Harihar; 40 MLD in Davanagere, 6.8 MLD in Byadgi
- (iii) Rehabilitation and expansion of storage reservoirs – 2 reservoirs in Harihar, 19 reservoirs in Davanagere and 1 reservoir in Byadgi;
- (iv) Construction of new transmission mains – 11 Km in Harihar and 35 Km in Davanagere;
- (v) Construction of new distribution network – 157 km in Harihar, approx. 1000 Km in Davanagere and 100 Km in Byadgi km
- (vi) Procurement and installation of 120 bulk meters and around 6800 Byadgi, 14400 Harihar and 93000 Davanagere household meters for all 3 ULBs.

Output 1.2: Sanitation Infrastructure

This output comprises expansion of sewerage systems in the following 3 ULBs. The following will be the specific outputs under this component:

- (i) Construction of new sewer network – 72 Km in Harihar, 214 Km in Davanagere and 79 Km in Byadgi;
- (ii) Construction of new lift stations – 4 lift stations in Harihar;
- (iii) Construction of new sewage treatment plants (STPs) – 5 MLD capacity in Byadgi, 20MLD capacity in District 1 and 1a and 5 MLD capacity in District 3 in Davanagere and 18 MLD capacity in Harihar; and
- (iv) Provision of 11541 toilets across the 4 ULBs.

Output 2: Improved water resource planning, monitoring and service delivery

This component will finance in Tranche 1:

- (i) A first installment for the ULB Incentive Fund;
- (ii) Preparation of 4 IT-based modules for volumetric tariff setting, water accounting



- and effluent discharge and improved MIS and Asset Management and testing in 3 Project 1 Towns;
- (iii) PSP approaches in water and sewerage service delivery.
- (iv) The preparation of the public communication and awareness program and materials.

Output 3: Strengthened capacity

This component comprises the following specific outputs:

- (i) Professional services to assist KUIDFC prepare strategic documents to enhance their financial intermediation capacity;
- (ii) Project management and design and construction supervision services for Project 1;
- (iii) Training programs for developing administrative and water management capacity at ULB level in 3 Project 1 towns.

Cost Estimates

The total cost of the Loan is estimated at US\$227 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 (%)	Tranch 1 (\$ Mn)	Share (%)
ADB	150.0	66.1	75.0	63.8
UFPF	2.0	0.9	1.8	1.5
GoK and other agencies	75.0	33.0	40.8	34.7
Total	227.0	100	117.6	100

Source: Asian Development Bank estimates.

Programme Period

The project is expected to be completed by 31st March 2019. The loan closing date is 30th September 2019.



Additional Notes:

11. 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 4a of companies act' 1956 so repealed under section 465 of companies act' 2013.
12. 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.
13. There was no direct inflow of foreign currency during the year. However, during the year govt. of India has received in respect of KIUWMI project under loan no. 3148-IND a sum of US\$ 5,085,752 (US\$ 4,437,870), from Asian Development Bank.

(Source: Asian Development Bank -Loan Financial Information Services (LFIS))

14. As on march 31, 2017, the company has no outstanding dues to units covered by micro, small and medium industries development act, 2006.
15. 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

16. SIGNIFICANT ACCOUNTING POLICIES:

16.1 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 defer 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.



16.2 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.

16.3 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.

16.4 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.

16.5 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.

16.6 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.

16.7 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.

16.8 Taxation :

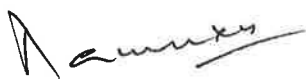
- i. The provision for Income Tax is calculated in accordance with the relevant tax regulations applicable to the Company.
- ii. Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax 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.

16.9 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 LIC.
- iii. Leave Encashment benefits on actual liability basis.

Place : Bangalore
Date : 06.09.2017



(K.M. Ramesh)

General Manager - Project Finance

As per our report of even date
for G.V Acharya & co.,
Chartered Accountants
FRN: 000029S


(G.Vamanacharya)
Partner M.No: 009850

