

Audited Project Financial Statements

Project Number: 43253-027
Loan/Grant Number: Loan 3726-IND
Period covered: 1 April 2018 to 31 March 2019

IND: Karnataka Integrated Urban Water Management Investment Program – Tranche 2

Prepared by Karnataka Urban Infrastructure Development and Finance Corporation Ltd.

For the Asian Development Bank
Date Received by ADB: 30 September 2019

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 Access to Information Policy and as agreed between ADB and the Karnataka Urban Infrastructure Development and Finance Corporation Ltd.



No. KUIDFC/FIN/ADB/AUD-APA/2019-20/ ೨೦೯೩

September 27, 2019

✓ Mr. Sekhar Bonu,
Director, Urban Development Division
& Water Division,
South Asia Department,
6 ADB AVENUE,
Mandaluyong City,
1550 Metro Manila,
Philippines.

Sir,

**Sub : ADB assisted KIUWMIP Project – Loan No.-3726 IND – Project 2 -
Submission of audited Annual Financial Statement (AFA) and Audited
Project Accounts (APA) - FY 2018-19 – 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 2018-19 and Audited Project Accounts (APA), Certificate of verification audit dated 27.09.2019 under KIUWMIP Loan No.3726-IND, Project-2, for the FY 2018-19, issued by M/s. G.V.Acharya & Co., Chartered Accountants, Bangalore for your information and records.

Thanking you,

Yours faithfully,

General Manager - Finance

Encl : As above



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 : 27.09.2019

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 3726-IND("Loan") implemented by KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED("the company") which comprise of Project Balance Sheet as of March 31,2019, Statement of Receipt and Payments, and Statement of Expenditure for the year ended and other explanatory information.

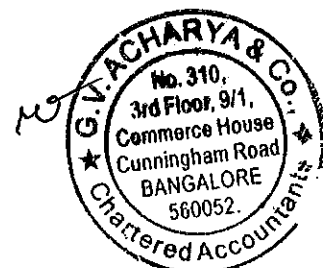
Project Management's Responsibility for the Project Financial Statements

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

Auditor's Responsibility

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

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



G.V ACHARYA & Co.

CHARTERED ACCOUNTANTS

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 2019, and are in accordance with Accounting Standards prescribed in India.

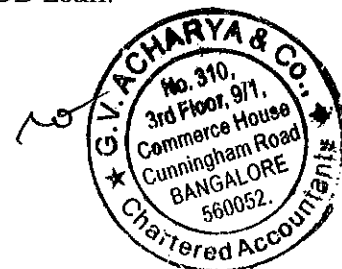
The proceeds of funds under the project loan have been utilized for the purposes for which they have been provided as agreed in Loan agreement between the ADB and GoI, and that no proceeds of the loan have been utilized for other purposes.

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, 2019 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.



G.V ACHARYA & Co.

CHARTERED ACCOUNTANTS

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.

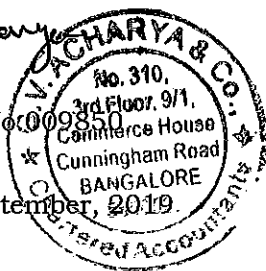
For G.V Acharya & Co.,
Chartered Accountants
ICAI Firm's Registration No. 000029S

G. Vamanacharya
G. Vamanacharya

Partner

ICAI Membership No. 0009850

Bangalore: 27th September, 2019.



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 2
Loan No. : 3726 IND

STATEMENT OF RECEIPTS AND PAYMENTS
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019

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)		-	-	-
Receipts				
Funds received from Government 2		700,000	-	700,000
ADB Loan 3				-
ADB Grant 3				-
Co - financier 1				-
Co - financier 2				-
Beneficiary Contribution (if any)		226,138	-	226,138
Other receipts such as interest income, sale from disposals of fixed assets etc.		-	-	-
Total Receipts (B)		926,138	-	926,138
Total (C = A + B)		926,138	-	926,138
Payments				
Investment costs 4				
Civil Works		587,594	-	587,594
Equipments			-	-
other cost - Land Acquisition		11,414	-	11,414
Total Investments (D)		599,008	-	599,008
Recurrent Costs				
Consultancy and Administration		41,922	-	41,922
Total Payments (E)		640,930	-	640,930
Financing Charges During Implementation (F)		1,706		1,706
Total Project Cost (F= E + F)		642,636	-	642,636
Closing Balance (C- E)		285,208	-	285,208

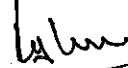
1. If cash balance are controlled by the entity, indicating cash balance, imprest account and SGIA balance separately
2. These will include external assistance received by Government for the project

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

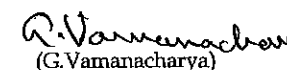
4. Expenditure categories are based on the cost allocation table as per Loan / Grant Agreement

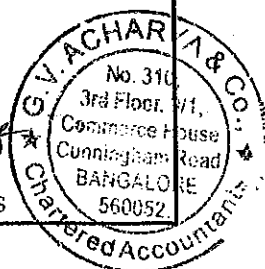
5. Since Financing charges met by GOI, the closing balance is C - E

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


(R. Vishnu Varman)
General Manager - Finance
KUIDFC




(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 IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 2
Loan No : 3726 IND

**STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019**

In (INR) '000

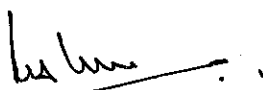
Particulars	ADB			Co-Financier		Government		Total Expenditure
	Percentage of Financing	Actual Expenditure		Actual Expenditure		Actual Expenditure		
		Amount	%	Amount	%	Amount	%	
Investment costs 2								
Civil Works	82%	482,290	82%			105,304	18%	587,594
Equipments	89%	-	-			-	-	-
other cost - Land Acquisition	0%	-				-		-
Consultancy and Administration	0%	-	0%			41,922	100%	41,922
Total Cost		482,290				147,226		629,516
% OF Total project Cost		9%				5%		7%
Total Project Cost for indicative as at 31.3.2019		5,460,270				3,101,433		8,561,703

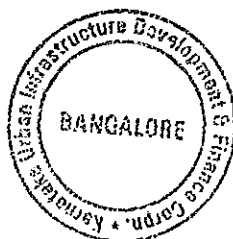
Note : 1. Loan Agreement signed on 27th November 2018 and project was effective from 11th February 2019

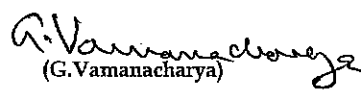
Note : INDICATIVE PROJECT COST AS AT 31.3.2019

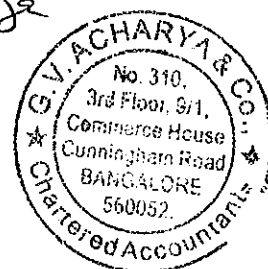
Tranches	ADB	URPF	GoK	Total
Tranche 2 - 3726 IND IN USD	75.00	1.80	40.80	117.60
Project cost in INR approximate @ 72.8036 / USD in INR '000	5,460,270	131,046	2,970,387	8,561,703

Note : ADB letters for exchange rate indicate RBI indicative rate @ 72.8036 / USD, the same is used for calculation indicative project cost


(R. Vishnu Varman)
General Manager - Finance
KUIDFC




(G. Vamanacharya)
Partner M.No: 009850
G.V.Acharya & Co, FRN: 0000295



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 2

Loan No : 3726 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019

4. Funds Received from the Government

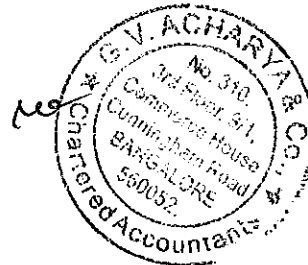
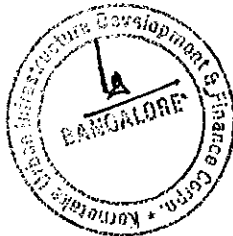
Give details of the government budgeting and funding mechanism

In (INR) '000			
Particulars	Current Year	Prior year	Cumulative Year to date
Government counterpart funding Amount Reimbursable to Government	700,000	-	700,000
Government of Karnataka has provided budgetary allocation and released the project funds to KUIDFC			
Total	700,000	-	700,000

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	6-Apr-18	
	29-Aug-18	
	30-Oct-18	
	16-Jan-19	
	25-Mar-19	



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 2
Loan No : 3726 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019

Statement of Disbursement (Expenditure Incurred)

6 A. Details of the disbursement by method are given below

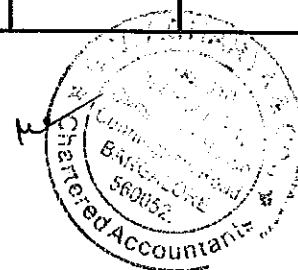
In (INR) '000

Statement of Disbursement	Note	Current Year	Prior Year	Cumulative Project to Date
ADB Fund Claimed during the year				
Reimbursement (Expenditure)	6.1	588,158	-	588,158
submitted during the year		503,726	-	503,726
Claims in the subsequent period		84,432	-	84,432
Imprest Fund	6.2	-	-	-
Direct payment	6.3	-	-	-
Commitment Letter	6.4	-	-	-
Sub Total	(A)	588,158	-	588,158
Total Expenditure made during the year	(B)	640,930	-	640,930
Add : Prior year eligible	(C)	-	-	
Add : Statutory remittances/deductions	(D)	564	-	564
Less : Borrower's share & Ineligible	(E)	53,336	-	53,336
Total Eligible Expenditure claimed (B + C + D - E = A)	(E)	588,158	-	588,158

6. B - RECONCILIATION OF ADB REIMBURSEMENT CUMULATIVE RECEIVED

in (INR) '000

As per ADB LFIS		482,290		
As per KUIDFC claims			Cumulative	Remarks
Current Year (2018-2019)		482,290	482,290	ADB reimbursement includes up to May 2019
TOTAL KUIDFC CLAIMS REIMBURSED		482,290		
ANY DIFFERENCE		-		



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 2
Loan No : 3726 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019

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	482,290	-	482,290
Reimbursement during the year		413,056	-	413,056
Reimbursement in the subsequent period		69,234	-	69,234
- By Imprest Account	6.2			
- By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total		482,290	-	482,290
ADB Grant		-	-	-
ADB loan and Grant Total		482,290	-	482,290

6.1 Funds Received from ADB through Reimbursement Method

DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2018-2019

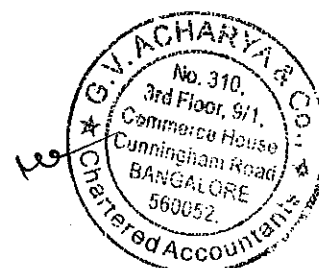
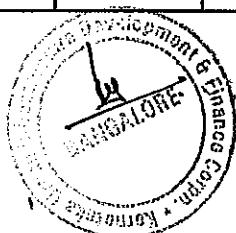
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019 - 2018 - 2019

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 2018-2019 SUBMITTED BEFORE 31ST MARCH 2019										
T2-0001	WA 001		01	503,726	82%	413,056	413,056		413,056	Documented
Total claim up to 31st March 2019				503,726		413,056	413,056		413,056	
Total claim after 31st March 2019										
T2-0002	WA 002		01	27,760	82%	22,764	22,764		22,764	Documented
T2-0003	WA 003		01	56,671	82%	46,470	46,470		46,470	Documented
Total claim after 31st March 2019				84,432		69,234	69,234		69,234	
GRAND TOTAL CLAIM FOR 2018-2019				588,158		482,290	482,290		482,290	

DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2017-2018

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018 - 2017 - 2018

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 2017-2018 SUBMITTED BEFORE 31ST MARCH 2018										
Total claim up to 31st March 2018				-		-	-		-	
Total claim after 31st March 2018										
Total claim after 31st March 2018				-		-	-		-	
GRAND TOTAL CLAIM FOR 2017-2018				-		-	-		-	



**Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - Project 1 -
3726 IND**

Date of Loan Agreement : 27 November 2018
Date of Loan Effectiveness : 11 February 2019
Date of Physical Closure : 15 September 2023
Date of Financial Closure : 15 March 2024

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 principal repayment period of 20 years and a grace period as defined in sub section(c) hereinafter.
- (c) The term "Grace Period" as used in subsection (b) herein above means the period prior to the first principal payment Date in accordance with the amortization schedule set forth 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:

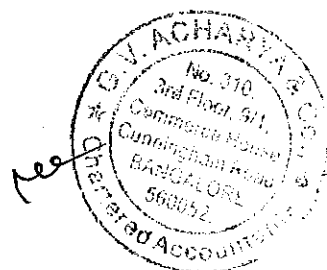
- (a) LIBOR;
(b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
(c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

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 September and 15 March in each year.

Disbursement Procedures

Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.



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 2
Loan No : 3726 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 2019

		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) Deduct : Repayments made during the year / period Replenishment/Liquidation Expenditure yet to be claimed Amount refunded during the year/period Closing Balance (B)	Imprest Account Not Availed	
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 -

6.2.1 - US & (bank statement attached)

Not Applicable since Imprest Account Not Availed

6.3 Details of Payments made directly by ADB are given below

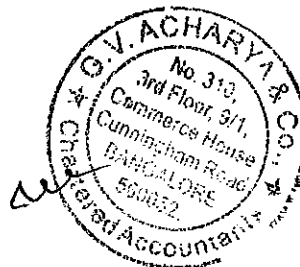
Not Applicable since no direct payments by ADB under the project

6.4 Details of payments made through commitment procedure

Not Applicable since no commitment procedure used

6.5 Details of Grants

No grant given



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 2

Loan No : 3726 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 2019

In (INR) '000

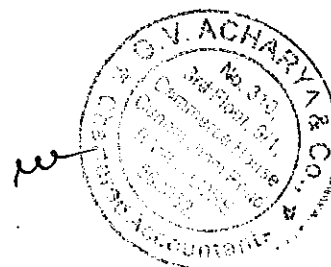
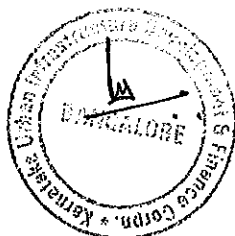
Application No.	W/App. No.	SOE sheet No	Category	Total amount paid Eligible Amount	ADB Financing %	Net Eligible Expenses	Amount Reimbursed	Imprest Fund Replenished / Liquidated	Total Disbursement Using SOE Procedure	Disbursement Procedure
1	2	3	4	5	6=4x5	7	8	9=7+8		
NO CLAIMS UNDER SOE										
Total claim up to 31st March 2019										

DISBURSEMENT CLAIMED UNDER STATEMENT OF EXPENDITURE (SOE) PROCEDURE
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018

In (INR) '000

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		
NO CLAIMS UNDER SOE										
Total claim up to 31st March 2018										

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 2

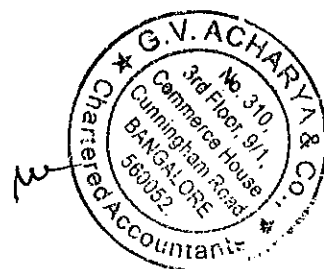
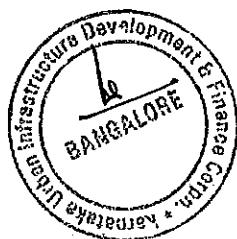
Loan No : 3726 IND

NOTES TO THE FINANCIAL STATEMENTS
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2019

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

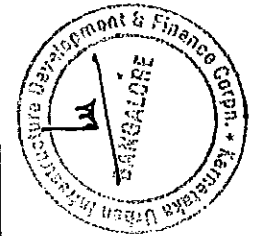
Particulars	Current Year	Prior year	Cumulative Year to date
I) Expenditures by Component for Tranche 2			
Works			
A. Sanitation Infrastructure			
Mangalore - 02MNG02	3,42,163	-	342,163
B. Water Supply			
Kundapura - 02KDP01	71,784	-	71,784
Puttur - 02PTR01	76,308	-	76,308
Udupi- 02UDP01	102,882	-	102,882
Statutory remittances	(5,543)	-	(5,543)
Equipments	-	-	-
Consultancy & Administration expenses including advances	41922	-	41,922
I) Total Expenditure	629,516	-	629,516
II) Land Acquisition	11,414	-	11,414
Total Expenditure - (I + II) - Loan 3148 IND	640,930	-	640,930



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 2
Loan No : 3726 IND

STATEMENT OF APPROPRIATION VS ACTUAL

STATEMENT OF APPROPRIATION VS ACTUAL															In (INR) '000	
Cost Categories	For the Current Year Ended 2019					For the Year Ended 2018					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		
i) Expenditures by Component for Tranche 1																
Works	638,689	587,594	92%	51,095		-	-		-		638,689	587,594	92%	51,095		
Equipments	-	-		-		-	-		-		-	-	0%	-		
Consultancy & Admin exp Inld advances	41,922	41,922	100%	-		-	-		-		41,922	41,922	100%	-		
Total	680,611	629,516	92%	51,095		-	-		-		680,611	629,516	92%	51,095		
ii) Land Acquisition	11,414	11,414	-	-		-	-		-		11,414	11,414	100%	-		
Total Expenditure - (i + ii)	692,025	640,930	93%	51,095		-	-		-		692,025	640,930	93%	51,095		
Financing Charges During Implementation	-	1,706		-		-	-		-		-	1,706	0%	-		
Total Project Cost	692,025	642,636	93%	51,095		-	-		-		692,025	642,636	93%	51,095		
Grand Total of Expenditures in USD @ 72.8036 / USD in INR '000		8,826.98					-					8,826.98				

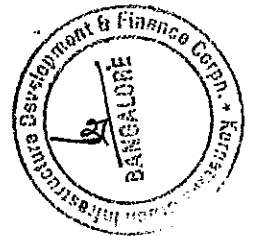


Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED
Name of IA : Respective ULBs / KUIDFC
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 2
Loan No : 3726 IND

EXPENDITURE BY OUTPUT COMPONENTS

In (INR) '000

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
i) Expenditures by Component for Tranche 1												
Works	-	587,594	587,594	-	587,594	587,594	-	-	-	-	587,594	587,594
Equipments	-	-	-	-	-	-	-	-	-	-	-	-
Consultancy & Admin exp incld advances	-	41,922	41,922	-	41,922	41,922	-	-	-	-	41,922	41,922
Total	-	629,516	629,516	-	629,516	629,516	-	-	-	-	629,516	629,516
ii) Land Acquisition	-	11,414	11,414	-	11,414	11,414	-	-	-	-	11,414	11,414
Total Expenditure - (I + II)	-	640,930	640,930	-	640,930	640,930	-	-	-	-	640,930	640,930
Financing Charges During Implementation	-	1,706	1,706	-	1,706	1,706	-	-	-	-	1,706	1,706
Total Project Cost	-	642,636	642,636	-	642,636	642,636	-	-	-	-	642,636	642,636
% OF Total project Cost		9%										



Karnataka Urban Infrastructure Development and Finance Corporation Ltd, Bangalore.

ADB assisted KIUWMI Project Loan No. 3726-IND Balance Sheet as at 31st March 2019

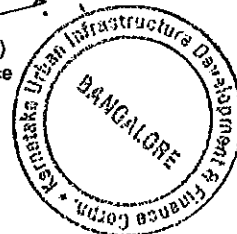
PARTICULARS	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
		Rs	Rs
I. EQUITY & LIABILITIES			
Shareholders' Funds			
Share Capital		-	-
Reserves & Surplus	1	827,147	827,147
Non-Current Liabilities			
Other Long Term Liabilities	2	213,233,315	1,453,838
Long Term Provisions		-	-
Current Liabilities			
Short Term Borrowings		-	-
Other Current Liabilities	3	307,425,706	71,725,266
Short Term Provisions		-	-
TOTAL OF EQUITY & LIABILITIES		521,486,168	74,006,251
II. ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	4	827,147	827,147
Intangible Assets		-	-
Deferred Tax Assets (Net)		-	-
Long-Term Loans and Advances	5	213,235,815	1,455,338
Current Assets			
Cash and Bank Balances	6	285,208,620	71,719,237
Short-Term Loans and Advances	7	10,791,467	500
Other Current Assets	8	11,423,119	4,029
TOTAL OF ASSETS		521,486,168	74,006,251
Notes on Financial Statements	1 to 14		

Notes referred above are an integral part of Financial Statements

Place: Bangalore

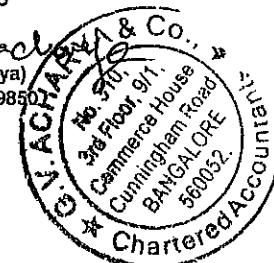
Date : 27th September'2019

(Signature)
(R. Vishnu Varman)
Gen. Manager- Finance



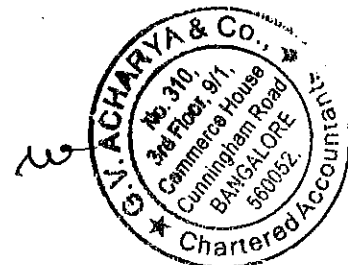
As per our report of even date
for G.V Acharya & Co.
Chartered Accountants
FRN: 000029S

(Signature)
(G. Vamanacharya)
Partner M. No:009850



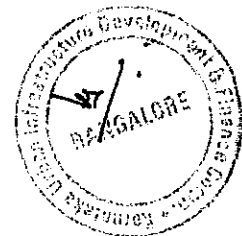
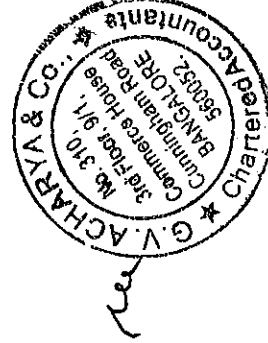
ADB assisted KIUWMI Programme- Notes on Financial Statements for the year ended 31st March 2019

PARTICULARS	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	Rs	Rs
1. Reserves & Surplus		
Project Reserve:		
Balance as per previous Balance Sheet	827,147	-
Add: Grants Utilised towards :		
(i) Fixed Assets	-	827,147
Less: Deletion/Adjustment of Fixed Assets	-	-
TOTAL	827,147	827,147
2. Other Long Term Liabilities		
Outstanding Principal Due to GOK-UIDF-RF	213,233,315	1,453,838
TOTAL	213,233,315	1,453,838
3. Other Current Liabilities		
Government of Karnataka A/c (KIUWMI Project)	270,340,630	65,002,346
Other Payables	37,085,076	6,722,920
TOTAL	307,425,706	71,725,266
4. Fixed Assets		
Tangible Assets	827,147	827,147
TOTAL	827,147	827,147
5. Long-term loans and advances		
Outstanding KIUWMI Project Loan Due from IA's	213,233,315	1,453,838
Other Deposits	2,500	1,500
TOTAL	213,235,815	1,455,338
6. Cash and Bank/Treasury Balances		
PD A/c with State Govt- KIUWMIP	189,440,277	-
Vijaya Bank-Mangalore - KIUWMIP	313,528	33,640
Vijaya Bank-Indiranagar- KIUWMIP	95,454,815	71,685,597
TOTAL	285,208,620	71,719,237



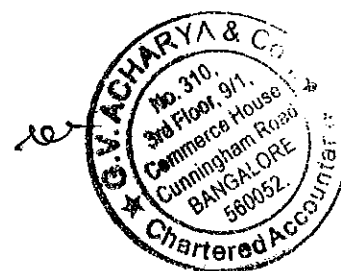
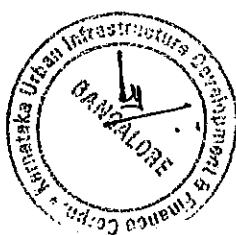
Note No 4: Disclosure pursuant to Schedule II to the Companies Act, 2013 (KIUWMIIP)

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at 01/04/2018	Additions during the Year	Deletions/Adj during the Year	As at 31/03/2019	As at 01/04/2018	For the year	Withdrawn during the year	As at 31/03/2019	As at 31/03/2018
(i) Tangible assets									
FURNITURE & FITTINGS									
Furniture & Fittings	827,147	-	-	827,147	-	-	-	827,147	827,147
GRAND TOTAL	827,147	-	-	827,147	-	-	-	827,147	827,147
PREVIOUS PERIOD	-	827,147	-	827,147	-	-	-	827,147	-



ADB assisted KIUWMI Programme- Notes on Financial Statements for the year ended 31st March 2019

PARTICULARS	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	Rs	Rs
7. Short-Term Loans and Advances		
Advance to Consultants	502,827	-
Advance to Staff	464	500
Other Receivable	10,288,176	-
TOTAL	10,791,467	500
8. Other Current Assets		
Tax Deducted at Source on Deposits	8,855	3,729
Other Advances	11,414,264	300
TOTAL	11,423,119	4,029



9. DETAILED PROJECT DESCRIPTION

Project-2 of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) (the Project) supports improvements in urban infrastructure and services in the following 4 ULBs: Mangaluru, Puttur, Udupi, Kundapur 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 4 ULBs: Mangaluru, Puttur, Udupi, Kundapur. The following will be the specific outputs under this component:

- (i) 24X7 water supply to Kundapura city (8 years O&M) - 37.56 Km Pipe line, HSC-6450(new HSC-2250), OHT-2 No;
- (ii) 24X7 water supply to Udupi city Distribution (8 years O&M) – 366.24 Km Pipe line, HSC-33243(new HSC-15000).
- (iii) 24X7 water supply to Puttur city (8 years O&M) – 161.82 km Pipe line, New HSC- 4910 Nos, Replacement of water meters-9226 Nos, OHT-6No, GLSR-2No, WTP-8.7MLD
- (iv) 24X7 water supply to Mangalore city Distribution (8 years O&M)– 81.7 MLD Filter house, 160 MLD Back wash treatment plant, Pipe line-1453.21 km ,OHT-20 Nos,Sump-2Nos,HSC-96300 Nos

Output 1.2: Sanitation Infrastructure

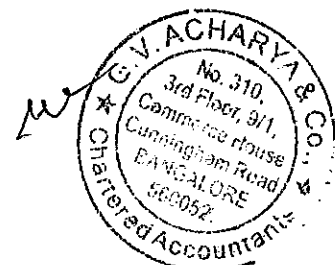
This output comprises Replacement of sewerage pumping systems in the Mangaluru City(ULB). The following will be the specific output under this component:

- (i) Replacement of old sewerage pumping main for Mangalore city– 11.35 Km pipe line,Road Restoration-8.5 Km.

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

This component will finance in Tranche 2:

- (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 4 Project-2 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-2;
- (iii) Training programs for developing administrative and water management capacity at ULB level in 4 Project- 2 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

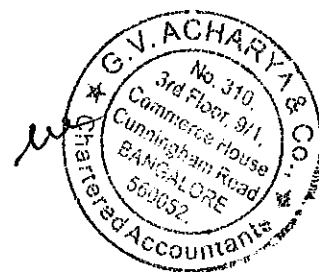
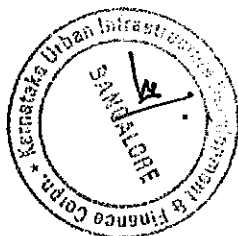
Table : Financing Plan of the Investment Program and First PFR

(\$ million)				
Source	Investment Program (\$ Mn)	Share (%)	Tranche 2 (\$ Mn)	Share (%)
ADB	150.0	66.1	75.0	68.30
UFPF	2.0	0.9	0	0
GoK and other agencies	75.0	33.0	34.80	31.70
Total	227.0	100.0	109.80	100.0

Source: Asian Development Bank estimates.

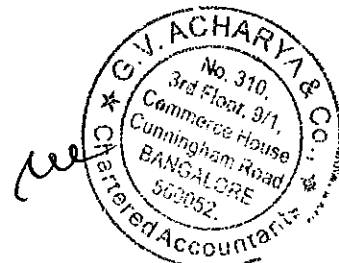
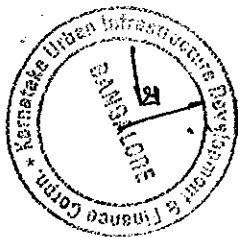
Programme Period

The project is expected to be completed by 15th Sep 2023. The loan closing date is 15th Sep 2023.



Additional Notes:

10. 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.
11. 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. 3726-IND a sum of US\$ 5,997,352 (Nil) from Asian Development Bank.
(Source: Asian Development Bank -Loan Financial Information Services (LFIS))
12. As on march 31, 2019, the company has no outstanding dues to units covered by micro, small and medium industries development act, 2006.
13. 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.
14. **SIGNIFICANT ACCOUNTING POLICIES:**
 - 14.1 **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.



14.2 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.

14.3 Revolving Funds:

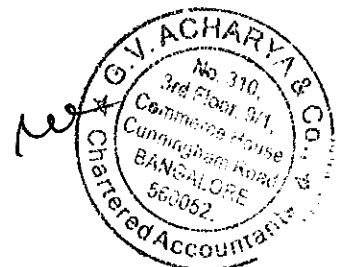
- i. As per relevant Government Order, Mega City Revolving Fund (MCRF) under the centrally sponsored Mega City scheme and Urban Infrastructure Development Fund (UIDF) under Externally Aided Projects and Centrally Sponsored Schemes are maintained to which loan repayments by the Implementing Agencies,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

14.4 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.

14.5 Fixed Assets :

- i. Fixed assets are stated at cost, less accumulated depreciation.
- ii. Consequent to capitalization of UIB building constructed under NKUSIP depreciation on the same is considered as per Accounting Standard -12 and useful life of the building restricted till the end of lease period. (As per note No.26)
- iii. 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.
- iv. Leasehold Land is Amortized over the lease period.
- v. 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.



- vi. 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.

14.6 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.

14.7 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.

14.8 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.

14.9 Retirement Benefits:

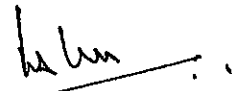
Provisions for/ Contributions to retirement benefits schemes are made as follows:

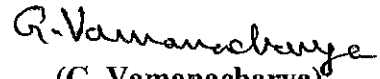
- i. Provident fund on actual liability basis.
- ii. Gratuity based on actuarial valuation through Group Gratuity Policy of LIC.
- iii. Leave Encashment benefits on actual liability basis.

Place : Bangalore

Date : September 27, 2019

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


(R. Vishnu Varman)
General Manager - Finance


(G. Vamanacharya)
Partner M.No: 009850





No.KUIDFC/FIN/KIUWMIP-3726/2019-20/

September 27, 2019

M/s. G.V Acharya & Co.,
Chartered Accountants
No 310, Third Floor,
9/1, Commerce House Building
Cunningham Road
Bangalore -560 052

Sir,

Sub: Management Assertion Letter - KIUWMIP Loan No.3726 IND

As per the recommendation of ADB, this assertion letter is provided in connection with your audit of the Annual Project related Financial Statements (APFS) of the KIUWMIP Loan 3726 IND for the year ended 31st March, 2019. This is acknowledged that our responsibility for the fair presentation of the Annual Project related Financial Accounts / Statements (APFS) are prepared under the Historical Cost Convention, on an Accrual Accounting basis followed by KUIDFC 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 and we confirm to the best of our knowledge and belief, the following representations made to you during the audit:

1. The project financial statements are free of material misstatements, including omissions.
2. Project funds have been used for the purposes for which they were provided
3. Project expenditures are eligible for financing under the loan agreement and Procurement procedures are as prescribed for the project have been followed
4. There have been no irregularities involving management or employees who have a significant role in internal control or that could have material effect on the project financial statements.
5. We have responded fully to all inquiries made to us by you during the examination
6. All related party transactions and contingent liabilities have been disclosed
7. There are no unrecorded transactions
8. We have made available to you all books of account and supporting documentation relating to the project
9. The project has complied with the conditions of the Loan Agreement and the Project Agreement.

Thanking you,

Yours faithfully,


General Manager - Finance