

Annual Report
2010 - 2011

TNUDF

TAMIL NADU URBAN DEVELOPMENT FUND

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**TAMILNADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED
BOARD OF DIRECTORS**

Mrs. Anita Praveen, IAS,
Chairperson & Managing Director,
TNUIFSL, Chennai - 600 017.

Dr. S. Karuthiah Pandian, IAS,
Secretary to Government,
MA & WS Department,
Secretariat, Fort St. George,
Chennai - 600 009.

Mr. S. Krishnan, IAS,
Secretary to Government (Expenditure),
Finance Department,
Secretariat, Fort St. George,
Chennai - 600 009.

Mr. T.K. Ramachandran, IAS,
Secretary to Government,
Highways & Minor Ports Department,
Secretariat, Fort St. George,
Chennai - 600 009

Mr. Chandrakant B Kamble, IAS,
Commissioner of Municipal Administration,
Chepauk,
Chennai - 600 005.

Mr. Vivek Vasudevan,
Deputy General Manager,
ICICI Bank Limited,
No.1, Cenotaph Road,
3rd Floor, Teynampet,
Chennai - 600018

Mr. S.P. Chidambaram,
Assistant General Manager,
ICICI Bank Limited,
No.1, Cenotaph Road,
3rd Floor, Teynampet,
Chennai - 600 018.

Mr. Joseph Conrad A D' Souza,
G.M. Treasury,
HDFC Ltd.,
Raman House,
169, Backbay Reclamation
Mumbai - 400 020.

Mr. L. Krishnan,
Chief Executive Officer,
IL & FS Urban Infrastructure
Managers Limited,
Karumuttu Centre, 498, 3rd Floor,
South Wing, Anna Salai,
Chennai - 600 035.

Bankers

ICICI Bank Limited,
No.1, Cenotaph Road, Teynampet,
Chennai - 600 018.

**TAMILNADU URBAN INFRASTRUCTURE
TRUSTEE COMPANY LTD
BOARD OF DIRECTORS**

Mr. Debendranath Sarangi, IAS,
Chief Secretary,
Government of Tamilnadu,
Secretariat, Fort St. George, Chennai - 600 009.
Chairman

Mr. K. Shanmugam, IAS,
Principal Secretary to Government,
Finance Department,
Secretariat, Fort St. George,
Chennai - 600 009.

Dr. S. Karuthiah Pandian, IAS,
Secretary to Government,
MA & WS Department,
Secretariat, Fort St. George,
Chennai - 600 009.

Dr. R. Vijaykumar, IAS,
Principal Secretary to Government,
Planning and Development Department,
Government of Tamilnadu,
Secretariat, Fort St. George,
Chennai - 600 009.

Mr. K. Phanindra Reddy, IAS,
Secretary to Government,
H & UD Department,
Government of Tamilnadu,
Secretariat, Fort St. George,
Chennai - 600 009.

Mr. R. Kannan,
21, Parthasathypuram,
North Usman Road,
T.Nagar,
Chennai - 600 017.

Mr. S. P. Chidambaram,
Assistant General Manager,
ICICI Bank Limited,
No.1, Cenotaph Road,
3rd Floor, Teynampet,
Chennai - 600 018.

Mr. Mathew Joseph,
Regional Manager,
HDFC Limited,
ITC Center, I Floor,
760, Anna Salai,
Chennai - 600 002.

Mr. L. Krishnan
Chief Executive Officer,
IL & FS Urban Infrastructure
Managers Limited,
Karumuttu Centre, 498, 3rd Floor,
South Wing, Anna Salai,
Chennai - 600 035.

Bankers

Indian Bank,
Clock Tower Branch,
Chennai - 600 014.

Auditors

M/s. Joseph & Rajaram
Chartered Accountants, Chennai - 600 034.

Registered Office

Vairam Complex, First Floor,
112, Thegaraya Road, T.Nagar, Chennai - 600 017.
Phone: 044 28153103, 28153104, 28153105 Fax : 28153106

TAMIL NADU URBAN DEVELOPMENT FUND

Report on the activities of Tamil Nadu Urban Development Fund for the Financial Year 2010 – 2011

1. Background

Tamil Nadu Urban Development Fund, popularly known as TNUDF, was established as a Trust under the Indian Trust Act, 1882 in the year 1996, by the Government of Tamil Nadu with contributions from Government of Tamil Nadu and three institutions viz., ICICI Bank Limited, Housing Development Finance Corporation Limited and IL & FS Financial Services Limited. TNUDF is the first public-private partnership providing long term finance for civic infrastructure on a non-guarantee mode, in the country.

2. Vision and Mission

The Vision of TNUDF is “To be a sustainable financial intermediary that enhances the flow of private capital to urban sector in Tamil Nadu and facilitates urban local bodies become capable and sustainable organizations, sensitive to stakeholders in providing the highest quality of urban services”.

The Mission of TNUDF is “To contribute to improvement in urban quality of life in Tamil Nadu by facilitating efficient urban infrastructure asset creation and provision of urban services through innovative project development, independent appraisal and sustainable financing”

3. Objectives of TNUDF

The Objectives of TNUDF are as follows:

- to finance urban infrastructure projects, which improve the living standards of the urban population.
- to facilitate private sector participation in infrastructure through joint venture and public - private partnership.
- to operate a complementary window for execution of urban infrastructure projects, the Grant Fund, to assist in addressing the problems of the urban poor.
- to improve the financial management of urban local bodies enabling them to access debt finance from markets.

4. Management

TNUDF is managed by a Corporate Trustee viz., Tamil Nadu Urban Infrastructure Trustee Company Limited (TNUITCL). TNUITCL is managed by the Board of Directors nominated by the Government of Tamil Nadu and three institutions (ICICI, HDFC and IL & FS). The policies and procedures for the operation of TNUDF are prescribed by the Board of TNUITCL. TNUDF is operated by the Fund Manager viz., Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL).

5. Resources

A sum of ₹ 1419.98 crores is available with TNUDF for providing financial assistance for implementation urban infrastructure projects:

₹ in crores

Sl.No.	Sources	Available	Availed
1.	Unit Capital	199.60	199.60
2.	World Bank - TNUDP II	166.08	166.08
3	World Bank – TNUDP III	602.60	381.82
4.	JICA - TNUIP	180.50	75.60
5	KfW – SMIF - TN	271.20	91.00
	Total	1419.98	914.10

The balance amount will be availed based on the progress of the projects assisted by TNUDF.

6. Assistance under External Aided Projects

6.1 Tamil Nadu Urban Development Project – III (TNUDP-III) assisted by World Bank

TNUDP III was launched on 19th October 2005. The objectives of TNUDP III are as follows:

- To develop Tamil Nadu Urban Development Fund as financial intermediary to provide financing for infrastructure to ULBs on a sustainable basis.
- To strengthen urban reforms and consolidate the achievements under TNUDP-II in institutional strengthening and capacity building.
- To provide a grant to the Chennai Metropolitan Development Authority (CMDA) to take up traffic and transportation sub-projects in the Chennai Metropolitan Area.

The total outlay of the project is US \$ 434 mn (equivalent to about ₹ 1996 crores), of which World Bank line of credit is US \$ 300 mn (equivalent to about ₹ 1380 crores).

The Project consists of two components namely (i) Institutional Development Component (IDC) managed by commissionerate of Municipal Administration and (ii) Urban Investment Component (UIC) managed by TNUIFSL. The funds under IDC provides for technical assistance and training needed to build capacity to further the devolution process, where as the funds under UIC is used to finance sustainable urban projects implemented by ULBs.

TNUDP-III was restructured during the financial year 2009-10 and the quantum of financial assistance under investment component to ULBs has been increased to US \$ 307.50 mn (Loan of US \$ 131 mn. and Grant of US \$ 176.5 mn) from US \$ 204.5 mn. Consequently, funding assistance available under TNUDP III to ULBs will be ₹ 1414.50 crores (₹ 602.60 crores in the form of loan and ₹ 811.90 crores in the form of capital grant). A sum of ₹ 1364.06 crores (term loan of ₹ 564.05 crores and capital grant of ₹ 800.01 crores) has been committed for 101 projects, of which 72 projects are completed and 29 projects are in progress. The balance fund available is ₹ 50.44 crores (loan of ₹ 38.55 crores and grant of ₹ 11.89 crores). The total funds disbursed to sub-projects up to 31st March 2011 is ₹ 697.26 crores (₹ 328.75 crores as term loan and ₹ 368.51 crores as capital grant), based on the progress of the sub-projects.

The project completion period TNUDP III is 31st March 2012. However, some of the sub-projects under implementation may require time up to 31st March 2014 for completion. In view of the above, Government of Tamil Nadu has approved the extension of time up to 31st March 2014 and forwarded the proposal to Government of India for onward transmission to World Bank requesting for extension of time for TNUDP-III up to 31st March 2014.

6.2 Tamil Nadu Urban Infrastructure Project (TNUIP) assisted by Japan International Co-operation Agency (JICA)

TNUIP was launched on 25th March 2008. The Project implementation period is five years. The objective of the Project is to provide safe and reliable water supply and sewerage services in ULBs by providing long-term financial assistance to construct and improve water supply and sewerage facilities, thereby contributing to improvement of living conditions of local residents in the concerned areas.

The total outlay of the Project is JPY 9824 million (equivalent to about ₹ 345 crores), of which JICA's line of credit is JPY 8551 million (equivalent to about ₹ 300.04 crores). The line of credit consists of ₹ 283.23 crores towards implementation of water and sewerage projects and ₹16.81 crores towards technical assistance.

The project envisages funding for water supply and sewerage sectors. Considering the field difficulties in implementing the sewerage schemes within the project completion period

(June 2013), it was decided to utilize the entire funds for water supply sector. Accordingly, the funds were committed for implementation of six Water Supply Improvement Schemes (viz. Trichy Corporation, Madhavaram, Palani, Coonoor, Idappadi and Devakottai Municipalities). The Government of Tamil Nadu has approved the proposal of reallocation of the entire funds to water supply sector and forwarded the proposal to Government of India / JICA for reallocation.

As of 31st March 2011, the entire amount of ₹ 283.23 crores has been committed (loan of ₹ 180.50 crores and grant of ₹ 102.73 crores) for six water supply projects and all the projects are under implementation / various stages of procurement. A sum of ₹107.95 crores (₹ 83.30 crores as loan and ₹ 24.65 crores as grant) has been disbursed up to 31.03.2011.

6.3 Sustainable Municipal Infrastructure Financing – Tamil Nadu (SMIF-TN) assisted by KfW

SMIF-TN was launched with the assistance of KfW and the loan documents have been executed on 9th July 2008. The objective of the Project is to promote municipal infrastructure projects with positive environmental effects in Tamil Nadu, to promote private financing for urban infrastructure projects and to develop municipal bond market through Master Financing Indenture (MFI).

The total outlay is Euro 77 million (equivalent to about ₹ 500 crores) consisting of Euro 65 million (equivalent to about ₹ 422 crores) for financing urban infrastructure projects (₹ 271.20 crores in the form loan and ₹ 150.80 crores in the form of capital grant), Euro 10 million (equivalent to about ₹ 65 crores) as loan to Water and Sanitation Pooled Fund for development of municipal bond market, and Euro 2 million (equivalent to about ₹ 13 crores) towards grant for strengthening the technical capabilities.

As of 31st March 2011, a sum of ₹ 421.89 crores (term loan of ₹ 271.09 crores and capital grant of ₹ 150.80 crores) funds have been committed for 14 sub-projects. The balance fund available is ₹ 0.11 crores as loan. All the 14 sub-projects funded under this scheme are under implementation. A sum of ₹ 145.66 crores (₹ 92.15 crores as term loan and ₹ 53.51 crores as capital grant) has been disbursed up to 31.03.2011.

7. PERFORMANCE

7.1 Project Approvals

During the financial year 2010-11, 16 urban infrastructure projects with a total project cost of ₹ 273 crores have been financed and a sum of ₹ 123.22 crores has been sanctioned as term loan. The sector wise financial assistance is as detailed below :

(₹ in Crores)

Sl.No.	Sector	No. of Projects	Project Cost	Term Loan Sanctioned
1	Under Ground Sewerage	5	92.28	29.79
2	Water Supply	7	165.33	83.58
3	Roads and Storm Water Drains	1	6.70	4.02
4	Bus Stand	3	8.69	5.83
	Total	16	273.00	123.22

7.2 Disbursements

During the financial year 2010 - 2011, a sum of ₹ 185.35 crores has been disbursed as loan as detailed below : (₹ in crores)

Sector	Amount disbursed	
	2010 – 2011	2009 – 2010
Sewerage & Sanitation	84.05	60.75
Water Supply	64.16	39.33
Roads, Bridges, Storm Water Drains & River Improvement	31.28	41.49
Bus Stations, Markets and Office Building	5.86	9.89
Total	185.35	151.46

8. Monitoring and Recovery

As for monitoring and recovery, efforts are made to assess the credit risk and concentration of credit. Wherever undue delay is noticed in repayment of dues, close follow-up action is being pursued. Necessary provision has been included in the loan agreement to escrow the collections of ULBs and / or to maintain a Debt Service Reserve Fund as the case may be. TNUDF has achieved record 100% collection efficiency continuously for the past seven financial years. As on 31.03.2011, there are no non-performing assets.

9. Accounts and Audit

The Accounts for the financial year 2010-2011 have been completed and audited by M/s. Joseph & Rajaram, Chartered Accountants, Chennai.

TAMIL NADU URBAN DEVELOPMENT FUND
HIGHLIGHTS OF PERFORMANCE

(₹ in Crores)

	31.3.11	31.3.10	31.3.09	31.3.08	31.3.07	31.3.06	31.3.05	31.3.04	31.3.03	31.3.02	31.3.01	31.3.00	31.3.99	31.3.98
Total Assets	1038.71	1001.40	687.59	673.13	531.40	492.85	477.60	554.23	794.03	688.93	657.52	425.33	367.19	322.31
Net worth	208.43	205.34	202.26	202.26	202.26	202.26	202.26	202.26	198.72	198.72	179.82	178.61	139.93	127.46
Total Income	67.25	59.33	51.16	47.28	35.99	28.68	28.44	42.18	79.06	81.82	57.91	44.73	44.52	39.02
Total Expenditure	62.89	54.83	33.20	28.94	20.66	20.19	21.09	23.17	54.05	48.46	33.87	23.32	22.21	37.37
Surplus before provision for contingency	-	-	17.96	18.34	15.33	8.49	7.35	19.02	25.01	33.36	24.04	21.41	22.31	1.65
Provision for Contingency	-	-	6.17	14.40	10.05	5.07	5.94	9.00	13.44	21.00	-	-	-	-
Surplus available for distribution	-	-	11.79	3.94	5.28	3.42	1.41	10.02	11.57	12.36	24.04	21.41	22.31	1.65
Surplus before tax	4.36	4.50	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Tax	1.27	1.43	-	-	-	-	-	-	-	-	-	-	-	-
Net income / surplus after tax transferred to Capital Fund	3.09	3.07	-	-	-	-	-	-	-	-	-	-	-	-
Average Return on Loan lending %	8.41	8.30	8.01	8.43	8.49	8.12	8.47	11.33	13.48	15.12	14.54	14.42	14.19	13.13
Yield on Investments %	7.73	9.35	9.78	10.01	8.81	6.49	5.76	5.75	7.20	9.00	9.41	12.00	13.73	17.89
Cost of funds %	7.35	7.32	7.64	7.62	7.52	7.52	7.99	8.23	10.8	12.77	12.91	12.79	12.56	12.24
Loan Sanctions (Net)	123.22	167.68	178.08	209.56	201.94	381.25	147.61	145.24	17.73	1.33	36.30	314.29	15.80	60.28
Loan Disbursements	185.35	151.46	88.63	70.74	69.42	26.71	102.50	51.13	2.53	19.71	219.29	56.12	20.11	21.69
Recoveries (Principal + Interest)	69.73	52.85	37.34	30.62	22.14	20.82	15.30	22.90	74.45	69.25	41.94	39.52	32.60	27.49
Collection Efficiency %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	98.80	99.81	99.75	100.00	99.00	83.75	81.14

JOSEPH & RAJARAM
CHARTERED ACCOUNTANTS

AUDITORS' REPORT
TO THE TRUSTEE OF TAMIL NADU URBAN DEVELOPMENT FUND

- 1) We have audited the attached Balance Sheet of Tamil Nadu Urban Development Fund (the Trust) as at 31 March 2011, the Income and Expenditure Account and the Cash Flow Statement of the Trust for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) Attention is invited to Paragraphs 1(b) and 4(b) of Schedule M to the Accounts regarding Net Income after Provision for Income-tax for the current year and provision for Contingencies of earlier years for the reason stated therein.
- 4) Further to our comments in paragraph 3 above, we report as follows:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) the Balance Sheet, the Income and Expenditure Account and the cash flow statement dealt with by this Report are in agreement with the books of account of the Trust;
 - c) in our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Trust as at 31 March 2011;
 - ii. in the case of the Income and Expenditure Account, of the surplus of the Trust for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Trust for the year ended on that date.

For JOSEPH & RAJARAM
Chartered Accountants,
(Firm Regn No.001375S)

Sd/-

R. Lakshminarayanan
Partner
Membership No. 16246

Place : Chennai
Date : 30 / 06 / 2011

TAMIL NADU URBAN DEVELOPMENT FUND
BALANCE SHEET AS AT 31 MARCH 2011

	Schedules	As at	As at
		31/03/2011	31/03/2010
		in ₹	
SOURCES OF FUNDS			
1 Capital Fund			
a. Contribution by Settlor	A	5,000	5,000
b. Reserves & Surplus	B	8,83,29,574	5,73,95,823
2 Other Funds			
a. Units	C	199,59,69,211	199,59,69,211
b. Loans Borrowed	D	714,49,99,629	672,42,83,684
TOTAL		922,93,03,414	877,76,53,718
APPLICATION OF FUNDS			
3 Investments	E	8,48,72,598	17,62,73,944
4 Loans Disbursed	F	607,71,24,115	528,67,27,817
5 Current Assets, Loans & Advances			
a. Current Assets	G	269,25,30,979	313,44,54,755
b. Loans & Advances	H	153,25,79,443	141,65,56,338
		422,51,10,422	455,10,11,093
Less			
6 Current Liabilities & Provisions			
a. Current Liabilities	I	28,00,86,991	37,13,55,116
b. Provisions	J	87,77,16,730	86,50,04,020
		115,78,03,721	123,63,59,136
7 Net Current Assets		306,73,06,701	331,46,51,957
8 Significant Accounting Policies and Notes on Accounts	M		
TOTAL		922,93,03,414	877,76,53,718

Schedules referred above form an integral part of the Accounts.

In terms of our report of even date attached

For Joseph & Rajaram

Firm Registration No. 001375-S

Chartered Accountants

Sd/-

R. Lakshminarayanan

Partner

Membership No. 16246

Place : Chennai

Date : 30/06/2011

Sd/-

L. Krishnan

S. Karuthiah Pandian, IAS
(Trustees)
Directors of Tamil Nadu Urban Infrastructure
Trustee Company Limited

Place : Chennai

Date : 30/06/2011

TAMIL NADU URBAN DEVELOPMENT FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Sche- dules	For the Year 2010 - 2011	For the Year 2009 - 2010
		in ₹	
INCOME			
1 Interest on Loans Disbursed		47,48,54,846	38,82,26,117
2 Interest on Deposits & Savings Bank Accounts		19,05,04,524	19,32,92,415
3 Income from Investments (Tax deducted at source on income ₹ 1,48,50,158/-; Previous year ₹ 1,84,38,238/-)		72,34,009	1,18,07,557
TOTAL		67,25,93,379	59,33,26,089
EXPENDITURE			
4 Financial Cost	K	58,32,16,771	50,14,88,123
5 Management Fee & Other Operating Expenses	L	4,24,58,899	3,55,05,963
6 Provision in respect of Loans Disbursed		32,71,248	1,13,16,949
TOTAL		62,89,46,918	54,83,11,035
7 Net income before Tax		4,36,46,461	4,50,15,054
8 Less: Provision for Income Tax		1,27,12,710	1,42,60,020
9 Net Income / Surplus after tax transferred to Capital Fund		3,09,33,751	3,07,55,034
10 Significant Accounting Policies and Notes on Accounts	M		

Schedules referred above form an integral part of the Accounts.

In terms of our report of even date attached

For Joseph & Rajaram

Firm Registration No. 001375-S

Chartered Accountants

Sd/-

R. Lakshminarayanan
Partner

Membership No. 16246

Sd/-

L. Krishnan

Sd/-

S. Karuthiah Pandian, IAS
(Trustees)

**Directors of Tamil Nadu Urban Infrastructure
Trustee Company Limited**

Place : Chennai

Date : 30/06/2011

Place : Chennai

Date : 30/06/2011

TAMIL NADU URBAN DEVELOPMENT FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

		For the Period 01-04-2010 to 31-03-2011	For the Period 01-04-2009 to 31-03-2010
		in ₹	
A.	Cash flow From Operating Activities		
	Surplus before Tax	4,36,46,461	4,50,15,054
	<i>Operating Surplus before Working Capital Changes</i>	4,36,46,461	4,50,15,054
	Adjustments for changes in :		
	Current Assets	(6,56,96,758)	(8,37,94,550)
	Loans and Advances	(9,31,72,947)	18,34,18,940
	Current Liabilities & Provisions	(9,12,68,125)	8,19,832
	<i>Cash Generated from Operations</i>	(20,64,91,369)	14,54,59,276
	Less: Tax Paid / Tax Deducted at source	(2,28,50,158)	(6,95,38,235)
	Net Cash from / (Used in) Operating Activities	(22,93,41,527)	7,59,21,041
B.	Cash Flow from Investing Activities		
	Loans Disbursed (Net)	(79,03,96,298)	(132,79,49,569)
	Investment (Net)	9,14,01,346	3,95,77,590
	Net Cash used in Investing Activities	(69,89,94,952)	(128,83,71,979)
C.	Cash Flow from Financing Activities		
	Unit	0	0
	Borrowings (Net)	42,07,15,945	309,22,59,080
	Net Cash from Financing Activities	42,07,15,945	309,22,59,080
	Net (Decrease) / Increase in Cash & Cash Equivalents (A + B + C)	(50,76,20,534)	187,98,08,142
	Cash and Cash equivalents at the beginning of the Accounting Period	293,11,63,889	105,13,55,747
	Cash and Cash equivalent at the end of the Accounting Period	242,35,43,355	293,11,63,889

In terms of our report of even date attached

For Joseph & Rajaram

Firm Registration No. 001375-S

Chartered Accountants

Sd/-

R. Lakshminarayanan

Partner

Membership No. 16246

Place : Chennai

Date : 30/06/2011

Sd/-

L.Krishnan

S. Karuthiah Pandian, IAS

(Trustees)

Directors of Tamil Nadu Urban Infrastructure

Trustee Company Limited

Place : Chennai

Date : 30/06/2011

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

Details	As at 31/03/2011	As at 31/03/2010
	in ₹	
Schedule A		
Contribution by Settlor		
Initial Settlement Amount	5,000	5,000
Total	5,000	5,000
Schedule B		
Reserves & Surplus		
1 Capital Reserve	2,66,40,789	2,66,40,789
2 Income and Expenditure Account Opening balance	3,07,55,034	0
Add : Transfer during the year	3,09,33,751	3,07,55,034
	6,16,88,785	3,07,55,034
Total	8,83,29,574	5,73,95,823
Schedule C		
Units		
(19,959.69211 units @ ₹ 1,00,000 per unit)		
1 Contribution from Government of Tamil Nadu	142,91,24,994	142,91,24,994
2 Contribution from Institutions		
ICICI Bank Ltd. 23,32,36,491		
HDFC Ltd. 16,71,61,299		
IL & FS Financial Services Ltd. 16,64,46,427	56,68,44,217	56,68,44,217
Total	199,59,69,211	199,59,69,211
Schedule D		
Loans Borrowed		
1 Loans under IBRD line of credit		
a. Loans under TNUDP - II	166,07,99,629	174,00,83,684
b. Loans under TNUDP-III	381,82,00,000	331,82,00,000
2 Loans under JICA line of credit	75,60,00,000	75,60,00,000
3 Loans under KfW line of credit	91,00,00,000	91,00,00,000
Total	714,49,99,629	672,42,83,684

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

	As at 31/03/2011	As at 31/03/2010
	in ₹	
Schedule E		
Investments		
Long Term		
1 5.45% - Unsecured Redeemable Non Convertible Tax Free Bonds of ₹ 10 lakhs each issued by Chennai Corporation	0	3,00,00,000
2 5.20% -Unsecured Redeemable Tax Free Bonds of ₹ 10 lakhs each issued by Chennai Metropolitan Water Supply and Sewerage Board	83,33,335	2,50,00,001
3 5.45% -Unsecured Redeemable Tax Free Bonds of ₹ 10 lakhs each issued by Chennai Metropolitan Water Supply and Sewerage Board	6,50,00,000	10,83,33,334
4 12.25% - Non Convertible Redeemable Bonds of ₹ 1 lakh each issued by Corporation of Madurai	1,15,39,263	1,29,40,609
Total	8,48,72,598	17,62,73,944
Schedule F		
Loans Disbursed		
1 Loans guaranteed by Government of Tamil Nadu	1,84,30,159	4,26,71,538
2 Other Loans	608,31,00,077	526,52,88,118
	610,15,30,236	530,79,59,656
Less: Provisions	2,44,06,121	2,12,31,839
Total	607,71,24,115	528,67,27,817
Schedule G		
Current Assets		
1 Interest accrued on deposits and investments	6,49,13,504	2,00,13,162
2 Balances with Schedule Banks		
a. In Savings Bank accounts	2,65,07,796	2,98,63,889
b. In Public Deposit account	58,00,00,000	265,60,00,000
c. In Deposit accounts	181,70,35,559	24,53,00,000
3 Interest accrued on Public Deposit Account	7,79,93,333	6,46,53,333
4 Interest accrued on loans disbursed	12,60,80,787	11,86,24,371
Total	269,25,30,979	313,44,54,755

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

	As at 31/03/2011	As at 31/03/2010
	in ₹	
Schedule H		
Loans and Advances		
1 Term Deposits with Companies	54,67,91,379	46,27,31,495
2 Income Tax Paid under protest	88,42,86,608	88,42,86,608
3 Income tax paid in Advance / Tax Deducted at Source	9,23,88,393	6,95,38,235
4 Other Advances	91,13,063	0
Total	153,25,79,443	141,65,56,338
Schedule I		
Current Liabilities		
1 Expenses payable	2,03,503	1,89,853
2 TDS Payable	0	23,35,392
3 Amount received in advance from borrowers	4,21,73,587	4,58,46,810
4 Other liabilities to Government of Tamil Nadu	1,92,50,745	4,39,75,475
5 Interest accrued but not due on borrowings	21,84,59,156	14,16,24,995
6 Interest payable on units	0	13,73,82,591
Total	28,00,86,991	37,13,55,116
Schedule J		
Provisions		
1 Provision for tax	2,69,72,730	1,42,60,020
2 Provision for Contingencies (See note 4 b)	85,07,44,000	85,07,44,000
Total	87,77,16,730	86,50,04,020
Schedule K		
Financial Cost		
1 Interest on units	13,97,17,845	13,97,17,845
2 Interest on loans borrowed	44,34,98,926	36,17,70,278
Total	58,32,16,771	50,14,88,123
Schedule L		
Management Fee & Other Operating Expenses		
1 Management Fees	2,99,70,807	2,31,67,257
2 Front End Fees on loans borrowed	1,18,00,000	1,20,00,000
3 Auditors' Remuneration		
- Audit	1,30,000	1,15,000
-Tax Audit	15,000	15,000
-Service Tax	14,935	13,390
4 Other Expenses	5,28,157	1,95,316
Total	4,24,58,899	3,55,05,963

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

Schedule M

Significant Accounting Policies and Notes on Accounts

1. Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

b. Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. Cost comprises of the purchase price and any attributable cost of bringing the assets to working condition for its intended use.

c. Depreciation

Depreciation on Fixed Assets is provided pro-rata on the basis of the Written Down Value method using the rates prescribed under the Income Tax Act, 1961.

d. Investments

Current Investments are valued at lower of cost or market value. Long term investments are usually carried at cost.

e. Income Recognition

Interest on loans disbursed and investment income are recognized as per contract on accrual basis.

f. Employee Retirement Benefits

At present there are no employees in the Trust. The Trust is managed by the Fund Manager. Hence, the Trust does not have any policy in this regard.

g. Borrowing Costs

Borrowing costs are capitalized as part of the cost of the qualifying asset when it is probable that they will result in future economic benefit to the Trust and the cost can be measured. Other borrowing costs are recognized as an expense in the year in which they are incurred.

h. Impairment of Assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets is measured in line with the relevant Accounting Standard.

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE M

Significant Accounting Policies and Notes on Accounts (Contd.)

i. Taxes on Income

Current Tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognized on timing differences, being the difference between taxable income and the accounting income that originate in one year and reversed in another accounting year. Deferred Tax assets and liabilities are computed on the timing differences applying the tax rate and tax laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax Assets arising on account of unabsorbed depreciation or carry forward of business loss are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

j. Provision, Contingent Liability & Contingent Assets

Provisions are recognized when there is a present obligation as a result of a past event and it is probable that outflows will be required to settle the obligation, which can be reliably estimated.

Contingent liabilities are disclosed after an evaluation of the fact and legal aspects of the matter involved. Contingent assets are neither recognized nor disclosed.

II. Notes on Accounts

1. Capital Fund

a. Capital Reserve

Tamil Nadu Urban Development Fund (TNUDF) was established as a Trust under the Indian Trusts Act, 1882, by a Deed of Trust dated 29 November 1996. Accordingly, the first Income and Expenditure Account was prepared for the period 29 November 1996 to 31 March 1997. However as per the orders of Government vide G.O. No. 400 Housing and Urban Development UD III (2) Department dated 13.09.1996, the assets and liabilities as at 30 September 1996 of the Tamil Nadu Municipal Urban Development Fund have been transferred to the Trust. Accordingly, the net income of the TNUDF for the period 1 October 1996 to 28 November 1996 has been accounted under the head Capital Reserve.

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE M

Significant Accounting Policies and Notes on Accounts (Contd.)

b. Net Income

The entire net income was distributed to the contributors of the Trust, up to FY 2008-09. From the FY 2009-10, interest has been paid to the contributors and the balance net income has been retained by the Trust after providing for Income Tax. Such Net Income has been transferred to Reserves and Surplus under the head Capital Fund.

2. Loans Borrowed

All the loans borrowed by the Trust are unsecured in nature.

Balance confirmation has not been obtained in respect of loans borrowed and interest payable thereon as at 31st March 2011.

3. Loans Disbursed and Provisioning Norms thereof

The loans disbursed by the Trust are unsecured. Loans disbursed amounting to ₹ 1,84,30,159/- are guaranteed by Government of Tamil Nadu.

Provision for all Standard Loans, Non-Performing Loans and Interest and Penal Interest outstanding with respect to Non-Performing Loans as at the end of the year is based on the RBI guidelines prescribed for Income Recognition, Asset Classification and Provisioning norms as applicable to All-India Financial Institutions in India as at the end of each financial period.

4. Capital commitments and contingent liabilities:

- a) Term loans pending disbursement against sanction for which funds have been received from the Government, is ₹ 53.07 crores (previous year ₹ 155.01 crores).
- b) The Trust has been assessed to income tax, disregarding the stand of the Trust, for the Assessment Years 1997-98 to 2007-08 and demands have been raised by the Income Tax authorities. The Trust has gone on appeal before the appellate authorities against the orders passed by the Assessing Officer for all the above years. The ITAT has passed orders for AY 1997-98 to AY 2005-06 stating that the appeals are allowed for statistical purposes as the case has been remanded back to the Assessing Officer for fresh

TAMIL NADU URBAN DEVELOPMENT FUND
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE M

Significant Accounting Policies and Notes on Accounts (Contd.)

consideration and for the AY 2006-07 and 2007-08 the ITAT has passed orders dismissing the appeal for want of permission of Committee of Disputes. Considering the above, a sum of ₹ 85,07,44,000/- has been provided for contingencies as of 31 March 2009.

5. Expenditure and earnings in Foreign Currency:

The Trust has no earnings and expenditure in Foreign Exchange (previous year: Nil)

6. Previous year's figures have been regrouped wherever necessary.

For Joseph & Rajaram

Chartered Accountants

Firm Registration No. 001375 S

Sd/-

R. Lakshminarayanan

Partner

Membership No.16246

Sd/-

L. Krishnan

Sd/-

S. Karuthiah Pandian, IAS

(Trustees)

**Directors of Tamil Nadu Urban
Infrastructure Trustee Company Limited**

Place : Chennai

Date : 30/06/2011

Place : Chennai

Date : 30/06/2011

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have great pleasure in presenting the 14th Annual Report of the Company together with the audited Statement of Accounts for the year ended 31st March 2011.

Tamil Nadu Urban Development Fund (TNUDF) was established as a Trust under the Indian Trust Act, 1882. Your company is the Corporate Trustee of TNUDF and is being managed by Tamil Nadu Urban Infrastructure Financial Services Limited based on the policies and procedures prescribed by the Company.

1. FINANCIAL RESULTS

The working results for the Financial Year 2010-2011 are as follows:

Amount in ₹

	2010-11	2009-10
Income	78,132	94,588
Expenditure	74,836	88,945
Net Profit before tax	3,296	5,643
Net Profit after tax	2,196	3,893
Net Worth	10,36,076	10,33,880

2. AUDIT

M/s. Joseph & Rajaram, Chartered Accountants, Chennai have been appointed as the statutory auditors and they have audited the accounts of the Company for the financial year ended 31.03.2011.

3. STATUTORY INFORMATION

Throughout the period of the Financial Year none of the employees was in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules of 1975.

The information as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

The Company has neither earned any foreign exchange nor incurred any expenditure in foreign currency during the financial year 2009-10.

No manufacturing activities have taken place and hence the conservation of energy is not applicable.

4. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under section 217 (2AA) of the Companies Act 1956, on the Directors' Responsibility Statement, the Directors confirm that:-

- that in the preparation of accounts, the applicable accounting standards have been followed along with proper explanation relating, to material departures;

- ii. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company, at the end of the year and of the profit of the Company, for that period;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities: and
- iv. that the Directors have prepared the annual accounts on a going concern basis.

5. DIRECTORS

The following changes have taken place in the Board of Directors of the Company since the last Annual General Meeting.

Mr. Surjit K. Chaudhary, IAS, has been appointed as Director in the place of Ms. Anita Praveen, IAS, Mr. Debendranath Sarangi, IAS, has been appointed as Director and Chairman in the place of Tmt.S.Malathi, IAS, Dr.S.Karuthiah Pandian, IAS, has been appointed as Director in the place of Mr. Ashok Vardhan Shetty, IAS, Mr. K. Phanindra Reddy, IAS, has been appointed as Director in the place of Mr. Ashok Dongre, IAS, Dr. R. Vijaykumar, IAS, has been appointed as Director in the place of Mr. Surjit K. Chaudhary, IAS, Mr. S.P. Chidambaram has been appointed as Director in the place of Mr. Sushant Naik.

As per the Articles of Association, at every Annual General Meeting, one third of the Directors (other than the Chairman, one another GoTN Nominee Director and one ICICI nominee Director) who have been longest in office since their appointment are liable to retire by rotation. Accordingly, Mr. L. Krishnan and Mr. Mathew Joseph are retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

6. SECRETARIAL AUDIT

As per the amendment to the Companies Act, 1956 the Company has to file with the Registrar of Companies a Compliance Certificate from a Secretary in whole time practice and a copy of such Certificate shall be attached to the Report of the Board of directors. Accordingly, a Compliance Certificate is enclosed.

7. ACKNOWLEDGMENT

The Directors wish to place on record their appreciation of the assistance and co-operation extended to the Company by the Government of India, Government of Tamil Nadu, the World Bank, Japan Bank for International Cooperation, KfW, ICICI Bank, Infrastructure Leasing and Financial Services Limited, Housing Development Finance Corporation Limited, Tamil Nadu Urban Infrastructure Financial Services Limited, Urban Local Bodies, Banks and Statutory Auditors.

For and on behalf of the
Board of Director

Chief Secretary
Chairman – TNUITCL

T. MURUGAN B.Sc., ACA., ACS
Practicing Company Secretary

22-E, Sri Subah Colony,
Munuswamy Road, K.K. Nagar,
Chennai – 600 078.
Ph: 23661875, 9381035900
murugantmp@yahoo.co.in

COMPLIANCE CERTIFICATE

CIN: U65991TN1996PLC036866

To

The Members

M/S TAMILNADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

112, Thiyagaraya Road,

Vairam complex, 1st floor, T.Nagar, Chennai-600 017

I have examined the registers, records, books and papers of M/S TAMILNADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED (the company) as required to be maintained under the Companies Act, 1956, (the act) and the rules made thereafter and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March 2011. In my opinion and to the best of my information and according to the examinations carried out by me and my explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions and the rules made there under and all entries have been duly recorded.
- The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities with in the time prescribed under the Act and the rules made there under or otherwise with additional fees for late filing of forms/ returns under the Act and the rules made there under.
- The company being a public limited company, the provisions of section 3 (1) (iii) are not applicable to this company.
- The Board of Directors duly met 4 times on 28-6-2010, 29-9-2010, 14-1-2011 (originally convened on 29-12-2010 and adjourned to 14-1-2011) and 21-3-2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the minutes book maintained for the purpose.
- The company has not opted to close its Register of Members during the year under review.
- The Annual General Meeting for the year ended on 31st March, 2010 was held on 29th September 2010 after giving due notice to the members of the members of the company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
- No Extraordinary General Meeting(s) was / were held during the financial year.
- The company has not advanced any loan to its directors and / or persons or firms or companies referred in section 295 of the Act.

- The company has not entered into any contracts falling within the purview of section 297 of the Act.
- The company has made necessary entries in the Register maintained under section 301 of the Act.
- There were no instances falling under section 314 of the Act.
- The Company has not issued any Duplicate Share Certificate during the financial year.
- The Company has:
 - i) not issued / transferred any shares during the financial year under review.
 - ii) has not deposited any amount in a separate bank account as no dividend was declared during the financial year;
 - iii) Not required to transfer any amount to Investor Education and Protection Fund.
 - iv) Duly complied with the requirements of section 217 of the Act.
- The Board of Directors of the company is duly constituted and the appointments of Directors, Additional Directors, Alternate Directors, and Directors to fill casual vacancies have been duly made.
- There was no appointment of Managing Director / Whole time Director during the financial year under review.
- The company has not appointed any sole – selling agents during the financial year.
- The company was not required to obtain any approval from the Central Government, Company Law Board, Regional Director, Registrar, or such other authorities as may be prescribed under the various provisions of the Act.
- The directors have disclosed their interest in other firms /companies to the Board of Directors pursuant to the provisions of the Act and Rules made there under.
- The Company has not issued any shares/debentures /other securities during the financial year.
- The Company has not bought back shares during the financial year.
- There was no redemption any preference shares /debentures during the financial year.
- There were no transactions necessitating the company to keep in abeyance the rights to dividends, rights shares, and bonus shares pending registration of transfers of shares.
- The Company has not invited / accepted any deposits including any unsecured loan or advances falling with in the purview of sec.58A and 58AA read with the Companies (Acceptance of Deposit) Rules, 1975.
- The company has not made any borrowings during the financial year under review.
- The company has no inter corporate investments or loans as envisaged under section 372-A of the Act.
- The Company has not altered the provisions of Memorandum of Association with respect to the situation of the company's registered office from one state to another during the year under scrutiny.

- The Company has not altered the provisions of Memorandum of Association with respect to the objects of the company during the year under scrutiny.
- The Company has not altered the provisions of the Memorandum of Association with respect to name of the company during the year under scrutiny.
- The Company has not altered the provisions of Memorandum of Association with respect to share capital of the company during the year under scrutiny.
- The Company has not altered the Articles of Association during the financial year.
- The company has not received any Show Cause Notice from Company Law Enforcing Authorities during the financial year under review.
- The company has not received any money as security from its employees during the year.
- As explained by the management the company has no P.F. Trust on its own as envisaged under section 418 of the Act.

Signature:

Name of Company Secretary: T. Murugan

C.P.No: 4393

Place : Chennai

Date : 10-06-2011

Annexure A

Registers maintained by the Company

- a. Register of Members
- b. Register of Directors.
- c. Register of Directors' Shareholding
- d. Register of Disclosures.
- e. Declaration of Interest.
- f. Minutes of Board Meetings.
- g. Minutes of General Body Meeting.

Annexure B

- 1) Form 32 filed on 16-4-2010 SRN A83001720
- 2) Form 32 filed on 2-7-2010 SRN: A88287966
- 3) Form 66 (31-3-2010) filed on 5-10-2010 SRN :P53682266
- 4) Form 32 filed on 6-10-2010 SRN: A95418398
- 5) Form 23 filed on 11-10-2010 SRN A95718813
- 6) Form 20B filed on 18-10-2010 SRN P54930599
- 7) Form 23AC & ACA (31-3-2010) filed n 12-10-2010 SRN P54284898
- 8) Form 32 filed on 13-10-2010 SRN A95905584
- 9) Form 32 filed on 2-2-2011 SRN B04585246

JOSEPH & RAJARAM
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To The Members of

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

1. We have audited the attached Balance Sheet of Tamil Nadu Urban Infrastructure Trustee Company Limited as at 31 March 2011 and the Profit and Loss Account of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; to the extent applicable.
5. On the basis of the written representations/declarations received from the Directors (other than Nominee Directors exempt from the provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, vide Department of Company Affairs General Circular No.8/2002 dated 22 March 2002), and taken on record by the Board of Directors, none of the said Directors of the Company is disqualified as at 31 March 2011, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date.
6. in our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011; and
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For JOSEPH & RAJARAM
(Firm Regn. No.001375S)
CHARTERED ACCOUNTANTS

Sd/-

R. LAKSHMINARAYANAN
PARTNER

Membership No.16246

Place : Chennai
Date : 30.06.2011

No.21, Mahatma Gandhi Road, Nungambakkam, Chennai – 600 034
Ph:28224405 / 5194 Fax: 28269292 Email: ho@jnr.in Web: www.jnr.in

**JOSEPH & RAJARAM
CHARTERED ACCOUNTANTS**

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business / activities during the year is such that Clauses 4 (i), 4(ii), 4(iii), 4(vii), 4(viii), 4(x), 4(xi), 4(xii), 4(xiii), 4(xiv), 4(xv), 4(xvi), 4(xviii), 4(xix) and 4(xx) of the Order are not applicable to the Company.
- (ii) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the services rendered by the Company and we have not observed any significant continuing failure to correct major weaknesses in such internal controls during the course of our audit. The company does not purchase any inventory nor does it sell any goods in the ordinary course of its business.
- (iii) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered in the register maintained in pursuance of Section 301 of the Companies Act 1956.
- (iv) The company has not accepted any deposits from the public.
- (v) In respect of Statutory dues:
 - a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income-tax and other material statutory dues applicable to it with the appropriate authorities. We are informed that the Employees State Insurance Act is not applicable to the Company.
 - b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income-tax and other material statutory dues applicable to the Company where in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
 - c) According to the information and explanation given to us, there are no dues of Income tax which have not been deposited on account of any dispute.
- (vi) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (vii) in our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (viii) during the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (ix) the company has not issued any secured debentures during the year.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For JOSEPH & RAJARAM
(Firm Regn. No.001375S)
CHARTERED ACCOUNTANTS

Sd/-

R. LAKSHMINARAYANAN
PARTNER
Membership No.16246

Place : Chennai
Date : 30.06.2011

**TAMILNADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED
BALANCE SHEET AS AT 31 MARCH 2011**

	Sche- dules	As at 31.03.2011		As at 31.03.2010	
		in ₹			
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1		10,07,000		10,07,000
Reserves and Surplus			29,076		26,880
Loan Funds			0		0
Total			10,36,076		10,33,880
APPLICATION OF FUNDS					
Current Assets, Loans and Advances	2				
Current Assets					
- Interest Accrued		41,348		38,605	
- Cash & Bank Balances		18,412		13,448	
Loans and Advances		10,03,152		10,04,254	
		10,62,912		10,56,307	
Less:					
Current Liabilities and Provisions	3				
-Current Liabilities		13,236		9,927	
-Provisions		13,600		12,500	
		26,836		22,427	
Net Current Assets			10,36,076		10,33,880
Total			10,36,076		10,33,880
Significant Accounting Policies and Notes on Accounts	7				

Schedules referred to above form an integral part of the Accounts.
In terms of our report of even date attached

For JOSEPH & RAJARAM
Firm Registration No. 001375S
Chartered Accountants

Sd/-
R. Lakshminarayanan
Partner
Membership No. 16246

For and on behalf of the Board of Directors

Sd/-
L. Krishnan
Director

Sd/-
S. Karuthiah Pandian, IAS
Director

Place : Chennai
Date : 30.06.2011

TAMILNADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Sche- dules	Year ended 31st March 2011	Year ended 31st March 2010
		in ₹	
INCOME			
Interest Earned on Deposits	4	78,132	92,586
Other Income	5	0	2,002
TOTAL		78,132	94,588
EXPENDITURE			
Operating and Administration Expenses	6	74,836	88,945
TOTAL		74,836	88,945
Profit Before Tax		3,296	5,643
Provision for Tax		1,100	1,750
Profit After Tax		2,196	3,893
Net Profit/(Loss) Brought Forward		26,880	22,987
Net Profit Transferred to Balance Sheet		29,076	26,880
Earnings Per Share- Basic & Diluted (In ₹)- Face Value ₹ 10 (Refer Note 6 of Schedule 7)		0.02	0.04
Significant Accounting Policies and Notes on Accounts	7		

Schedules referred to above form an integral part of the Accounts.

In terms of our report of even date attached

For JOSEPH & RAJARAM

Firm Registration No. 001375S

Chartered Accountants

Sd/-

R. Lakshminarayanan

Partner

Membership No. 16246

For and on behalf of the Board of Directors

Sd/-

L. Krishnan

Director

Sd/-

S. Karuthiah Pandian, IAS

Director

Place : Chennai

Date : 30.06.2011

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED
SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

	As at 31.03.2011	As at 31.03.2010
	(in ₹)	
Schedule - 1		
Share Capital Authorised:		
1,10,000 Equity Shares of ₹ 10 Each	11,00,000	11,00,000
Issued, Subscribed & Paid-up:		
1,00,700 Equity Shares of ₹ 10 Each	10,07,000	10,07,000
Total	10,07,000	10,07,000
Schedule - 2		
Current Assets, Loans & Advances		
A. Current Assets		
a. Interest Accrued on Deposits	41,348	38,605
b. Cash & Bank Balances		
Balance with Scheduled Banks		
- On Current Account	18,412	13,448
Total	59,760	52,053
B. Loans and Advances (Unsecured, Considered Good)		
Deposits with Companies	9,60,000	9,69,000
Income Tax Paid in advance & Tax Deducted at Source	43,152	35,254
	10,03,152	10,04,254
Total (A+B)	10,62,912	10,56,307
Schedule - 3		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for Expenses	13,236	9,927
Total	13,236	9,927

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

	As at 31.03.2011	As at 31.03.2010
	in ₹	
B.Provisions		
Provision for Taxation	13,600	12,500
	13,600	12,500
Total (A+B)	26,836	22,427
<u>Schedule - 4</u>		
Interest on Deposit		
Interest Income {Tax Deducted at Source ₹ 7,898- (Previous Year ₹ 21,227/-)	78,132	92,586
Total	78,132	92,586
<u>Schedule - 5</u>		
Other Income		
Miscellaneous Receipts	0	2,002
Total	0	2,002
<u>Schedule - 6</u>		
Operating and Administration Expenses		
Administrative Expenses	45,000	60,000
Printing and Stationery	2,400	2,400
Filing Fees	5,400	2,400
Professional Fees	5,800	8,000
Auditors' Remuneration (Statutory Audit)	13,236	9,927
Office Maintenance	3,000	6,218
Total	74,836	88,945

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Schedule – 7

Significant Accounting Policies and Notes on Accounts

1. Significant Accounting Policies:

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

(b) Fixed Assets

Fixed Assets are stated at actual cost less accumulated depreciation. Cost comprises of the purchase price and any attributable cost of bringing the assets to working condition for its intended use.

(c) Depreciation

Depreciation on Fixed Assets is provided pro-rata on the basis of the Written Down Value method using the rates prescribed in Schedule XIV of the Companies Act, 1956. However, individual assets costing less than or equal to ₹ 5,000/- each are fully depreciated in the period of acquisition.

(d) Investments

Current Investments are valued at lower of cost or market value. Long term investments are usually carried at cost.

(e) Employee Retirement Benefits

At present there are no employees in the company.

(f) Impairment of Assets:

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets is measured in line with the relevant Accounting Standard.

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Schedule – 7 (Contd)

(g) Taxes on Income:

Current Tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognized on timing differences, being the difference between taxable income and the accounting income that originate in one year. Deferred Tax assets and liabilities are computed on the timing differences applying the tax rate and tax laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax Assets arising on account of unabsorbed depreciation or carry forward of business losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(h) Provisions, Contingent Liability & Contingent Assets:

Provisions are recognized when there is a present obligation as result of a past event and it is probable that outflows will be required to settle the obligation, which can be reliably estimated.

Contingent liabilities are disclosed after an evaluation of the fact and legal aspects of the matter involved. Contingent assets are neither recognized nor disclosed.

II. Notes on Accounts

1. Valuation of Current Assets:

The current assets, loans and advances are of the value stated and are realizable in the ordinary course of business.

2. Capital commitments and contingent liabilities:

Nil (Previous year – Nil)

3. Expenditure and earnings in Foreign Currency:

The Company has no earnings and expenditure in Foreign Exchange (previous year: nil)

4. Provision for Deferred Tax: Nil (Previous year Nil)

5. The Company has not paid any Managerial Remuneration during the year (previous year - Nil)

TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Schedule – 7 (Contd)

6. Earnings per Share:

Particulars	2010-2011	2009-2010
Profit after Tax (₹)	2,196	3,893
Number of Equity Shares	1,00,700	1,00,700
Earnings Per Share Basic and Diluted (₹) (Face Value Per Share ₹ 10)	0.02	0.04

7. Small and Micro Enterprises:

According to information available with the management, there are no registered Micro and Small Enterprises to which the Company owes any dues as on 31.03.2011.

8. Previous year's figures have been regrouped wherever necessary.

For JOSEPH & RAJARAM

Firm Reg No. 001375S
Chartered Accountants

Sd/-

R. Lakshminarayanan

Partner

Membership No. 16246

Place : Chennai

Date : 30.06.2011

For and on behalf of the Board of Directors

Sd/-

L. Krishnan

Director

Sd/-

S. Karuthiah Pandian, IAS

Director

**BALANCE SHEET ABSTRACT AND COMPANIES
GENERAL BUSINESS PROFILE**

I. REGISTRATION DETAILS : TAMIL NADU URBAN INFRASTRUCTURE TRUSTEE COMPANY LIMITED (TNUITCL)

Registration No. 18 - 36866 (State code) : 18

Balance Sheet Date : 31.3.2011

II. CAPITAL RAISED DURING THE YEAR (Amount in ₹ Thousands)

Public Issue : Nil Rights Issue : Nil

Bonus Issue : Nil Private Placement : Nil

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in ₹ Thousands)

Total Liabilities : 1036 Total Assets : 1036

SOURCE OF FUNDS

Paid-up Capital : 1007 Reserves & Surplus : 29

Secured Loans : Nil Unsecured Loans : Nil

APPLICATION OF FUNDS

Net Fixed Assets : Nil Investment : Nil

Net Current Assets : 1036 Misc. Expenditure : Nil

Accumulated Losses :

IV. PERFORMANCE OF THE COMPANY (Amount in ₹ Thousands)

Turnover : 78 Total Expenditure : 75

Profit before tax : 3 Profit after tax : 2

Earnings per Share (₹) : 0.02 Dividend Rate % : Nil

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (as per monetary terms)

Item Code No.

(ITC Code) : Not Applicable

Product Description : Services

For and on behalf of the Board of Directors

Sd/-
L. Krishnan
Director

Sd/-
S. Karuthiah Pandian, IAS
Director

Place : Chennai

Date : 30.06.2011

TAMIL NADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

To The Members

Yours Directors have great pleasure in presenting the Fourteenth Annual Report of the Company together with the audited Statement of Accounts for the year ended 31st March 2011.

1. OPERATIONS:

Your Company is a service company, managing the following funds / institutions:

- a) Tamil Nadu Urban Development Fund (TNUDF), a Trust formed by Government with private sector participation, for providing long term finance for implementation of urban infrastructure projects. TNUDF is the first public private partnership providing finance to Urban Local Bodies (ULBs) on a non-guarantee mode.
- b) Water and Sanitation Pooled Fund (WSPF), a trust formed and wholly owned Trust of Government of Tamil Nadu, for providing capital market access to ULBs under pooled financing framework.
- c) Capital Grant Funds created by Government of Tamil Nadu for providing capital grant / viability gap fund for urban infrastructure projects implemented by ULBs.
- d) Consultancy Grant Funds created by Government of Tamil Nadu for providing technical assistance to ULBs and other entities for preparation of feasibility studies, detailed project reports, supervision, implementation and management of urban infrastructure projects.
- e) Tamil Nadu Road Infrastructure Fund (TURIF), a non-lapsable fund created by Government of Tamil Nadu to implement Tamil Nadu Road Urban Infrastructure Project (TURIP). The objective of TURIP is to develop and maintain a sustainable urban road infrastructure in ULBs.

Your Company undertakes the functions of project development, project appraisals, loan sanction and disbursement, loan and recovery management, treasury management and other advisory services. By the continuous efforts taken by the Company, TNUDF has achieved 100% collection efficiency consecutively for the past seven financial years.

In addition to the above, your Company enlarged its scope by providing project advisory, financial advisory and fund management services to various clients. During the current financial year, your Company has provided the following consultancy services:

- (a) Conceptual design for redevelopment of housing from Foreshore Estate to Srinivasapuram and Architectural Plan for TNSCB flats in Foreshore Estate for Tamil Nadu Slum Clearance Board.
- (b) Preparation of DPR/Design and Supervision Management for laying of Synthetic Athletic Track at Anna Stadium in Tirunelveli, construction of indoor Badminton Hall at Mogappair in Chennai, Construction of Velodrome at Shenoy Nagar in Chennai and Construction of Swimming Pool at Coimbatore.
- (c) Proof-checking the DPRs prepared by Tamil Nadu Water and Drainage Board for three combined water supply schemes.
- (d) Architectural Plan for flats in Foreshore Estate for Tamil Nadu Housing Board.
- (e) Facilitating solicitation meeting with potential bidders in Chennai for underground sewerage works to be executed in Gujarat state for Gujarat Ecology Commission.

2. FINANCIAL RESULTS

The summarized financial results of your Company for the financial year 2010 - 11 are furnished below :

(₹ in lakhs)

DETAILS	2010-2011	2009-2010
Income	678.76	527.26
Expenditure	358.36	279.55
Profit Before Tax	320.40	247.71
Profit After Tax	216.17	162.08
Surplus brought forward	805.39	694.64
Amount available for appropriations	1021.56	856.72
Appropriations:		
Transfer to General Reserve	21.62	16.21
Proposed dividend	30.02	30.02
Tax on dividend	4.99	5.10
Surplus carried to Balance Sheet	964.93	805.39
Net Profit on Income (%)	31.85	30.74
Return on net worth (%)	17.96	15.85
Earnings per share (Rs.)	21.60	16.20

3. DIVIDEND

Your Directors are happy to recommend a Dividend @ 30% on paid up equity share capital for the financial year ended 31.3.2011. The dividend (₹ 30.02 lakhs) together with dividend tax (₹ 4.99 lakhs) absorbs a sum of ₹ 35.01 lakhs.

4. STATUTORY INFORMATION

Throughout the period of the financial year none of the employees was in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

The information as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 with regard to the conservation of energy and technology absorption are not applicable to the Company.

The Company has not earned any foreign exchange and outgo during the financial year 2010-11. No manufacturing activities have taken place and hence the conservation of energy is not applicable.

5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, on the Directors' Responsibility Statement, the Directors confirm that:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company, at the end of the year and of the Profit of the company, for the that period;

- c) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) that the directors have prepared the annual accounts on a going concern basis.

6. DIRECTORS

The following changes have taken place in the Board of Directors of the Company since the last Annual General Meeting:

- Mrs. Anita Praveen, IAS, has been appointed as Chairperson and Managing Director in the place of Mr.K.Phanindra Reddy, IAS,
- Dr.S.Karuthiah Pandian, IAS, has been appointed as Director in the place of Mr. Ashok Vardhan Shetty, IAS,
- Mr.T.K.Ramachandran, IAS, has been appointed as Director in the place Mr.G.Santhanam, IAS
- Mr.Vivek Vasudevan, has been appointed as Director in the place Mr. N.K.Balaram.
- Mr.S.Krishnan, IAS has been appointed as Director in the place Mr. R.Kirloskumar, IAS. and
- Mr.Chandrakant B Kamble IAS has been appointed as Director in the place Dr. P.SenthilKumar, IAS.

As per the Articles of Association, at every Annual General Meeting, one third of the Directors (other than the Chairman, Chief Executive Officer and one ICICI nominee) who have been longest in office since their appointment are liable to retire by rotation. Accordingly, Mr.Joseph Conrad A D'Souza and Mr.L.Krishnan are to retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

7. AUDIT

M/s. Joseph & Rajaram, Chartered Accountants, Chennai have been appointed as the statutory auditors who have audited the accounts of the Company for the financial year 2010-2011.

8. SECRETARIAL COMPLIANCE

As per the amendment to the Companies Act, 1956 the Company has to file with the Registrar of Companies a Compliance Certificate from a Secretary in whole time practice and a copy of such Certificate shall be attached to the Report of the Board of Directors. Accordingly, a Compliance Certificate is attached.

9. ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the assistance and co-operation extended to the Company by the Government of India, Government of Tamil Nadu, World Bank, Japan Bank for International Cooperation, KfW, ICICI Bank, IL & FS Financial Services Limited, Housing Development Finance Corporation Limited, Banks, Urban Local Bodies, Internal Auditors and Statutory Auditors. Your Directors have pleasure in recording their appreciation of the dedicated services rendered by the employees at all levels.

For and on behalf of the Board of Directors

Place : Chennai – 600 017
Date : 24.08.2011

Sd/-
Chairperson and Managing Director

T. MURUGAN, B.Sc., ACA., ACS.,
Practicing Company Secretary

22-E, Sri Subah Colony,
Munuswamy Road, K.K. Nagar,
Chennai – 600 078.
Ph: 24847075, 9381035900
murugantmp@yahoo.co.in

COMPLIANCE CERTIFICATE

CIN: U67190TN1996PLC036865

To

The Members

M/S TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED

112, Thiyagaraya Road, Vairam complex

1st floor, T.Nagar, Chennai-600 017

I have examined the registers, records, books and papers of M/S TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED (the company) as required to be maintained under the Companies Act, 1956, (the act) and the rules made thereafter and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March 2011. In my opinion and to the best of my information and according to the examinations carried out by me and my explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions and the rules made there under and all entries have been duly recorded.
- The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities with in the time prescribed under the Act and the rules made there under or otherwise with additional fees for late filing of forms/returns under the Act and the rules made there under.
- The company being a public limited company, the provisions of section 3 (1) (iii) are not applicable to this company.
- The Board of Directors duly met 4 times on 7-6-2010, 21-9-2010, 7-12-2010 and 24-3-2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the minutes book maintained for the purpose.
- The company has not opted to close its Register of Members during the year under review.
- The Annual General Meeting for the year ended on 31st March, 2010 was held on 21st September 2010 after giving due notice to the members of the members of the company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
- No Extraordinary General Meeting(s) was/were held during the financial year.
- The company has not advanced any loan to its directors and / or persons or firms or companies referred in section 295 of the Act.
- The company has not entered into any contract as envisaged under section 297 of the Act.

- The company has made necessary entries in the Register maintained under section 301 of the Act.
- There were no instances falling under section 314 of the Act.
- The Company has not issued any Duplicate Share Certificate during the financial year.
- The Company has:
 - (i). not issued / transferred any shares during the financial year under review.
 - (ii) & (iii) declared dividend and deposited the dividend amount in the bank account and paid to the members of the Company within the time prescribed under the Act.
 - (iv) Not required to transfer any amount to Investor Education and Protection Fund.
 - (v) Duly complied with the requirements of section 217 of the Act.
- The Board of Directors of the company is duly constituted and the appointments of Directors, Additional Directors, Alternate Directors, and Directors to fill casual vacancies have been duly made.
- There was no appointment of Managing Director / Whole-Time Director during the financial year under review.
- The company has not appointed any sole – selling agents during the financial year.
- The company was not required to obtain any approval from the Central Government, Company Law Board, Regional Director, Registrar, or such other authorities as may be prescribed under the various provisions of the Act.
- The directors have disclosed their interest in other firms /companies to the Board of Directors pursuant to the provisions of the Act and Rules made there under.
- The Company has not issued any shares/debentures /other securities during the financial year.
- The Company has not bought back shares during the financial year.
- There was no redemption of any preference shares /debentures during the financial year.
- There were no transactions necessitating the company to keep in abeyance the rights to dividends, rights shares, and bonus shares pending registration of transfers of shares.
- The Company has not invited / accepted any deposits including any unsecured loan or advances falling within the purview of sec.58A and 58AA read with the Companies (Acceptance of Deposit) Rules, 1975.
- The company has not made any borrowings during the financial year under review.
- The company has no inter corporate investments or loans as envisaged under section 372-A of the Act.
- The Company has not altered the provisions of Memorandum of Association with respect to the situation of the company's registered office from one state to another during the year under scrutiny.
- The Company has not altered the provisions of Memorandum of Association with respect to the objects of the company during the year under scrutiny.

- The Company has not altered the provisions of the Memorandum of Association with respect to name of the company during the year under scrutiny.
- The Company has not altered the provisions of Memorandum of Association with respect to share capital of the company during the year under scrutiny.
- The Company has not altered the Articles of Association during the financial year.
- The company has not received any Show Cause Notice from Company Law Enforcing Authorities during the financial year under review.
- The company has not received any money as security from its employees during the year.
- The company was regular in depositing Provident Fund dues with the relevant Statutory Authorities, but the company has no PF Trust on its own as envisaged under section 418 of the Act.

Place : Chennai
Date : 10.06.2011

Signature: Sd/-
Name of Company Secretary:T.Murugan
C.P.No.:4393

Annexure A

Registers maintained by the Company

1. Register of Members
2. Register of Directors.
3. Register of Directors' Shareholding.
4. Register of Disclosures.
5. Declaration of Interest.
6. Minutes of Board Meetings.
7. Minutes of General Body Meeting.

Annexure B

1. Form 66 (31-03-2010) filed on 30-09-2010 SRN: P53208351
2. Form 32 filed on 1-10-2010 SRN A95190914
3. Form 32 filed on 8-10-2010 SRN A70498191
4. Form 20B filed on 6-10-2010 SRN No.P53767489
5. Form 23AC &ACA (31-03-2010) filed on 6-10-2010 SRN No.: P53765137
6. Form 23 filed on 6-10-2010 SRN No. A95438495
7. Form 32 filed on 25-11-2010 SRN No.B01558923

**JOSEPH & RAJARAM
CHARTERED ACCOUNTANTS**

AUDITORS' REPORT

To The Members of TAMIL NADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of Tamil Nadu Urban Infrastructure Financial Services Limited as at 31 March 2011, the Profit and Loss Account of the Company for the year ended on that date and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Balance Sheet, the Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and cash flow statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.
 - e. On the basis of the written representations/declarations received from the Directors (other than Nominee Directors exempt from the provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, vide Department of Company Affairs General Circular No.8/2002 dated 22 March 2002), and taken on record by the Board of Directors, none of the said Directors of the Company is disqualified as at 31 March 2011, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of cash flow statement of the cash flows for the year ended on that date.

For JOSEPH & RAJARAM
(Firm Regn No.001375S)
Chartered Accountants
Sd/-

R. LAKSHMINARAYANAN
PARTNER
Membership No. 16246

Place : Chennai
Date : 29.06.2011

No.21, Mahatma Gandhi Road, Nungambakkam, Chennai – 600 034
Ph:28224405/5194 Fax: 28269292 Email: ho@jnr.in Web: www.jnr.in

JOSEPH & RAJARAM
CHARTERED ACCOUNTANTS

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business during the year is such that Clauses 4 (ii), 4(iii), 4(viii), 4(x), 4(xi), 4(xii), 4(xiii), 4(xiv), 4(xv), 4(xvi), 4(xviii), 4(xix) and 4(xx) of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the services rendered by the Company and we have not observed any significant continuing failure to correct major weaknesses in such internal controls during the course of our audit. The company does not purchase any inventory nor does it sell any goods in the ordinary course of its business.
- (iv) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered in the register maintained in pursuance of Section 301 of the Companies Act 1956.
- (v) The company has not accepted any deposits from the public.
- (vi) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (vii) In respect of Statutory dues:
 - a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income-tax and other material statutory dues applicable to it with the appropriate authorities. We are informed that the Employees State Insurance Act is not applicable to the Company.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income-tax and other material statutory dues applicable to the Company where in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
- c) According to the information and explanation given to us, there are no dues of Income tax which have not been deposited on account of any dispute.
- (viii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (ix) in our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (x) during the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) the company has not issued any secured debentures during the year.
- (xii) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

Sd/-

For JOSEPH & RAJARAM
(Firm Regn. No. 001375S)
Chartered Accountants

R.LAKSHMINARAYANAN
PARTNER
Membership No. 16246

Place : Chennai
Date : 29.06.2011

**TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31 MARCH 2011**

	Schedules	As at 31st March 2011		As at 31st March 2010	
		in ₹			
Sources of Funds					
Shareholders Funds					
Share Capital	1		1,00,07,000		1,00,07,000
Reserves & Surplus	2		11,03,71,390		9,22,55,353
Loan Funds			0		0
Total			12,03,78,390		10,22,62,353
Application of Funds					
Fixed Assets	3				
Gross Block		83,85,343		74,33,244	
Less: Depreciation		43,69,490		46,55,493	
Net Block			40,15,853		27,77,751
Investments	4		3,19,00,000		0
Deferred Tax Asset			1,73,657		1,71,846
Current Assets, Loans & Advances	5				
Current Assets					
-Interest Accrued		20,63,022		3,67,115	
-Sundry Debtors		17,62,143		8,65,700	
-Cash & Bank Balances		8,71,00,051		3,81,51,359	
Loans & Advances		4,37,11,673		9,80,87,709	
		13,46,36,889		13,74,71,883	
Less: Current Liabilities & Provisions	6				
Current Liabilities		39,13,923		24,66,553	
Provisions		4,64,34,086		3,56,92,574	
		5,03,48,009		3,81,59,127	
Net Current Assets			8,42,88,880		9,93,12,756
Total			12,03,78,390		10,22,62,353
Significant Accounting Policies and Notes on Accounts	10				

Schedules referred to above form an integral part of the Accounts.
In terms of our report of even date attached

For JOSEPH & RAJARAM
Firm Registration No. 001375 S
Chartered Accountants

Sd/-
R. Lakshminarayanan
Partner
Membership No. 16246

For and on behalf of the Board of Directors

Sd/-
S.P. Chidambaram
Director

Sd/-
Anita Praveen IAS
Chairperson &
Managing Director

Sd/-
A. Jayaraman
Vice President &
Company Secretary

Place : Chennai
Date : 29/06/2011

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Sche- dules	For the Year 2010 - 2011	For the Year 2009 - 2010
		in ₹	
INCOME			
Management and Other Fees	7	5,44,04,970	4,01,71,220
Service Tax Collected		55,52,820	42,14,672
Other Income	8	79,18,234	83,40,665
		6,78,76,024	5,27,26,557
EXPENDITURE			
Operating & Administration Expenses	9	2,92,36,849	2,29,38,939
Service Tax Paid		55,52,820	42,14,672
Depreciation	3	10,46,417	8,01,528
		3,58,36,086	2,79,55,139
Profit Before Tax		3,20,39,938	2,47,71,418
Provision for Income Tax			
- Current Tax		1,04,25,000	86,00,000
- Deferred Tax		(1,811)	(36,934)
Profit After Tax		2,16,16,749	1,62,08,352
Profit Brought Forward from the Previous Year		8,05,38,686	6,94,63,641
Profit Before Appropriations		10,21,55,435	8,56,71,993
Appropriations:			
General Reserve		21,62,000	16,21,000
Proposed Dividend		30,02,100	30,02,100
Tax on Dividend		4,98,612	5,10,207
Balance Carried forward to Balance Sheet		9,64,92,723	8,05,38,686
Earnings Per Share (Basic & Diluted) (Refer Note 8 of Schedule 10)		21.60	16.20
Significant Accounting Policies and Notes on Accounts	10		

Schedules referred to above form an integral part of the Accounts.
 In terms of our report of even date attached

For JOSEPH & RAJARAM
 Firm Registration No. 001375 S
 Chartered Accountants

Sd/-
R. Lakshminarayanan
 Partner
 Membership No. 16246

For and on behalf of the Board of Directors

Sd/-
S.P. Chidambaram
 Director

Sd/-
Anita Praveen IAS
 Chairperson &
 Managing Director

Sd/-
A. Jayaraman
 Vice President &
 Company Secretary

Place : Chennai
 Date : 29/06/2011

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 March 2011

	For the Year 2010-2011	For the Year 2009-2010
	in ₹	
A. Capital Receipt		
B. Cash flow From Operating Activities		
Profit before Tax	3,20,39,938	2,47,71,418
Add: Depreciation	10,46,417	8,01,528
Loss on sale of Fixed Assets	13,101	3,916
(profit) on sale of Fixed Assets	(77,350)	0
Operating Profit before Working Capital Changes	3,30,22,106	2,55,76,862
Adjustments for		
1 (Increase) / Decrease in Current Assets	(25,92,350)	2,01,794
2 (Increase) / Decrease in Loans and Advances	6,49,85,805	1,38,92,299
3 Increase / (Decrease) in Current Liabilities & Provisions	17,75,477	(2,51,273)
Cash Generated from Operations	9,71,91,038	3,94,19,682
Less: Income Tax paid	(1,06,09,769)	(92,93,892)
Net Cash from Operating Activities	8,65,81,269	3,01,25,790
C. Cash flow from Investing Activities		
Sale of Assets	1,89,473	25,827
Purchase of assets	(24,09,743)	(4,92,272)
Purchase of investment	(3,19,00,000)	0
Net Cash From Investing Activities	(3,41,20,270)	(4,66,445)
D. Cash Flow from Financing Activities		
Dividend & Dividend Tax Paid	(35,12,307)	(35,12,307)
Net Cash from Financing Activities	(35,12,307)	(35,12,307)
Net Increase in Cash and Cash Equivalents	4,89,48,692	2,61,47,038
Cash and Cash equivalents at the beginning of the Accounting period	3,81,51,359	1,20,04,321
Cash and Cash equivalent at the end of the Accounting period	8,71,00,051	3,81,51,359

Schedules referred to above form an integral part of the Accounts.

In terms of our report of even date attached

For JOSEPH & RAJARAM

Firm Registration No. 001375 S

Chartered Accountants

Sd/-

R. Lakshminarayanan

Partner

Membership No. 16246

For and on behalf of the Board of Directors

Sd/-

S.P. Chidambaram

Director

Sd/-

Anita Praveen IAS

Chairperson &
Managing Director

Sd/-

A. Jayaraman

Vice President &
Company Secretary

Place : Chennai

Date : 29/06/2011

**TAMILNADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED**

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Share Capital		
Authorised Capital		
20,00,000 Equity Shares of ₹ 10 each	2,00,00,000	2,00,00,000
Issued, Subscribed & Paid-up Capital		
10,00,700 Equity Shares of ₹ 10 each	1,00,07,000	1,00,07,000
Total	1,00,07,000	1,00,07,000
SCHEDULE - 2		
Reserves & Surplus		
General Reserve:		
Opening Balance	1,17,16,667	1,00,95,667
Add : Amount Transferred during the Current Year	21,62,000	16,21,000
	1,38,78,667	1,17,16,667
Balance in Profit & Loss Account	9,64,92,723	8,05,38,686
Total	11,03,71,390	9,22,55,353

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE - 3

Fixed Assets

(Amount in ₹)

PARTICULARS	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As At 01.04.2010	Additions	Deductions	As At 31.03.2011	Rate	As At 01.04.2010	For the Year	Deductions	As At 31.03.2011	As At 31.03.2011	As At 31.03.2010
Computer Equipments & Software	24,65,083	4,49,994	8,90,526	20,24,551	40%	19,07,803	3,23,332	8,50,289	13,80,846	6,43,705	5,57,280
Office Equipment	14,44,121	3,67,637	14,428	17,97,330	13.91%	6,52,226	1,18,837	7,191	7,63,872	10,33,458	7,91,895
Furniture & Fixtures	17,78,825	0	0	17,78,825	18.10%	10,68,142	1,28,633	0	11,96,775	5,82,050	7,10,683
Vehicles	17,45,215	15,92,112	5,52,690	27,84,637	25.89%	10,27,322	4,75,615	4,74,940	10,27,997	17,56,640	7,17,893
Total	74,33,244	24,09,743	14,57,644	83,85,343		46,55,493	10,46,417	13,32,420	43,69,490	40,15,853	27,77,751
Previous Year	73,03,509	4,92,272	3,62,537	74,33,244		41,86,759	8,01,528	3,32,794	46,55,493	27,77,751	31,16,750

**TAMILNADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED**

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 4		
Investments		
Long Term		
7.50% - 10 years Unsecured Redeemable Non Convertible Tax-Free Pooled Finance Development Bonds of ₹ 1,00,000/- each issued under the Pooled Finance Development Fund Scheme of Government of India by Water and Sanitation Pooled Fund (319 Nos).	3,19,00,000	0
Total	3,19,00,000	0
Schedule - 5		
Current Assets, Loans & Advances		
A. Current Assets		
a. Interest Accrued		
On Deposits	7,25,844	3,67,115
On Investments	13,37,178	0
	20,63,022	3,67,115
b. Sundry Debtors (Un secured, Considered Good)		
Debts outstanding for a period exceeding six months	7,40,075	7,40,075
Other Debts	10,22,068	1,25,625
	17,62,143	8,65,700
c. Cash & Bank Balances		
Balance with Scheduled Banks		
- On Current Account	21,00,051	4,51,359
- On Deposit Accounts	8,50,00,000	3,77,00,000
	8,71,00,051	3,81,51,359
Total (a+b+c)	9,09,25,216	3,93,84,174
B. Loans & Advances (Unsecured, Considered Good)		
Amounts Recoverable in Cash or Kind for Value to be Received	19,15,563	16,15,694
Term Deposits with Companies	0	6,52,85,674
Income Tax Paid in Advance & Tax Deducted at Source	4,17,96,110	3,11,86,341
	4,37,11,673	9,80,87,709
Total (A) + (B)	13,46,36,889	13,74,71,883

**TAMILNADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED**

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

	As at 31.03.2011	As at 31.03.2010
	in ₹	
Schedule - 6		
Current Liabilities & Provisions		
<u>A.Current Liabilities</u>		
Sundry Creditors	0	0
Sundry Creditors for Expenses	37,48,608	23,83,858
Other Liabilities	1,65,315	82,695
Total	39,13,923	24,66,553
<u>B.Provisions</u>		
Provision for Leave Encashment	11,49,484	8,21,377
Provision for Taxation	4,17,83,890	3,13,58,890
Proposed Dividend	30,02,100	30,02,100
Tax on Dividend	4,98,612	5,10,207
Total	4,64,34,086	3,56,92,574
Total (A) + (B)	5,03,48,009	3,81,59,127
SCHEDULE - 7		
Management and other Fees		
Appraisal Fees	3,24,85,922	2,39,38,239
Supervision & Recovery Fees	1,57,83,548	1,21,47,188
Treasury Management Fees	1,66,650	1,39,783
Professional Fees	59,68,850	39,46,010
(Tax deducted at source ₹ 58,95,581/- previous year ₹ 45,24,724/-)		
Total	5,44,04,970	4,01,71,220

**TAMILNADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED**

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

	For the Year 2010-11	For the Year 2009-10
	in ₹	
SCHEDULE - 8		
Other Income		
Interest on Investments (tax-free)	13,37,178	0
Interest on Term Deposits (Tax deducted at source ₹ 6,18,189/- previous year ₹ 16,55,100/-)	64,89,144	83,24,011
Miscellaneous Receipts	91,912	16,654
Total	79,18,234	83,40,665
SCHEDULE - 9		
Operating & Administration Expenses		
Salaries	1,38,56,179	1,21,35,667
Contributions to Provident & Other Funds	17,58,635	14,04,172
Medical & Other Staff Welfare Expenses	9,05,183	8,52,177
Rent	13,46,400	13,05,600
Rates & Taxes	19,911	17,896
Electricity	3,59,925	3,40,525
Travelling & Conveyance	31,45,335	27,24,042
Communication	5,59,838	5,13,849
Printing & Stationery	2,80,517	2,42,689
Repairs & Maintenance – (other than buildings)	2,27,674	2,11,323
Office Expenses	8,42,730	6,75,946
Security Charges	1,27,800	1,08,000
Professional Charges	18,17,300	14,65,902
Consultancy Charges	35,33,804	4,53,310
Insurance	78,526	58,385
Auditors' Remuneration		
- Audit	60,000	50,000
- Tax Audit	15,000	15,000
Loss on Sale of Asset	13,101	3,916
Advertisement	80,000	1,00,000
Miscellaneous Expenses	2,08,991	2,60,540
Total	2,92,36,849	2,29,38,939

**TAMILNADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED**
**SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

SCHEDULE – 10

Significant Accounting Policies and Notes on Accounts

1. Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

(b) Fixed Assets

Fixed Assets are stated at actual cost less accumulated depreciation. Cost comprises of the purchase price and any attributable cost of bringing the assets to working condition for its intended use.

(c) Depreciation

Depreciation on Fixed Assets is provided pro-rata on the basis of the Written Down Value method using the rates prescribed in Schedule XIV of the Companies Act, 1956. However, individual assets costing less than or equal to ₹ 5,000/- each are fully depreciated in the period of acquisition.

(d) Investments

Current Investments are valued at lower of cost or market value. Long term investments are usually carried at cost.

(e) Management and Other Fees

Management and other Fees are recognized as per contractual obligations on project basis with institutions whose funds are being monitored by the company.

(f) Employee Retirement Benefits

Defined Contribution Plans:

Contributions to Employees Provident Fund are deposited with the Employees' Provident Fund Organization and the Company's contribution to the Fund is charged to Profit and Loss Account each year.

Defined Benefit Plans:

The Company has covered its Gratuity and Superannuation liabilities with the Life Insurance Corporation of India (LIC) and the premium paid to LIC is charged to Profit and Loss Account. The premium amount in the case of Gratuity is determined on the basis of the actuarial valuation done each year by LIC.

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE –10 (Contd)

Other Long Term Employee Benefits:

The liability on account of Leave Encashment by the employees is provided for based on actuarial valuation done each year.

(g) Impairment of Assets:

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets is measured in line with the relevant Accounting Standard.

(h) Taxes on Income:

Current Tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognized on timing differences, being the difference between taxable income and the accounting income that originate in one year. Deferred Tax assets and liabilities are computed on the timing differences applying the tax rate and tax laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax Assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(i) Provisions, Contingent Liability & Contingent Assets:

Provisions are recognized when there is a present obligation as result of a past event and it is probable that outflows will be required to settle the obligation, which can be reliably estimated.

Contingent liabilities are disclosed after an evaluation of the fact and legal aspects of the matter involved. Contingent assets are neither recognized nor disclosed.

(j) Preliminary Expenses:

Preliminary expenses incurred by the company are fully written off in the first accounting Period

II. Notes on Accounts.

1. The company has accounted for the Long term defined benefits and contribution schemes as under:

A. Defined Contribution Schemes

Contribution to Provident Fund is made monthly to the Provident Fund Authorities. Contribution to Super Annuation fund for eligible employees is made by way of premium to Life Insurance Corporation of India and charged to Profit & Loss account for the year.

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE –10 (Contd)

B. Defined Benefit Scheme

The company has defined benefit scheme in the form of gratuity to employees. Contribution to gratuity is made to Life Insurance Corporation of India through the Gratuity Fund as per the scheme framed by the Corporation. The disclosure under AS -15(Revised) in this regard is given hereunder:

Table showing changes in present value of obligations

₹ In lacs

Present Value of Obligations on 01/04/2010	10.98
Interest Cost	0.88
Current Service Cost	1.25
Benefits paid	(2.01)
Actuarial (gain)/loss on obligations	(2.56)
Present Value of Obligations as on 31/03/2011	8.54

Table showing changes in fair value of plan assets

₹ In lacs

Fair Value of plan assets as on 1/4/2010	11.72
Expected return on plan assets	1.07
Contributions	3.16
Benefits Paid	(2.01)
Actuarial (gain)/loss on plan assets	nil
Fair value of plan assets as on 31/3/2011	13.94

Reconciliation of present value of obligation and fair value of plan assets

₹ In lacs

Present Value of Obligations as at the end of the year	8.54
Fair value of plan assets as on 31/3/2011	13.94
Liability recognized in the Balance Sheet	5.40

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE –10 (Contd)

Principal Assumptions used in determining post-employment benefit

Discount Rate	8.00%
Salary Escalation	5.00%
Expected return on plan assets	9.15%

Investment details of plan assets

Entire plan assets are lying in the Gratuity fund administered through Life Insurance Corporation of India under its Group Gratuity Scheme.

2. Valuation of Current Assets:

The current assets, loans and advances are of the value stated and are realizable in the ordinary course of business. The balance shown under sundry debtors is subject to confirmation.

As the company is engaged in consultancy/advisory activity only, there is no inventory carried.

3. Provision for liabilities:

The provisions for all known liabilities are adequately made.

4. Capital commitments and contingent liabilities:

Nil (Previous year – nil)

5. Expenditure and earnings in Foreign Currency:

The Company has no earnings and expenditure in Foreign Exchange (previous year: nil)

6. Provision for Deferred Tax:

Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) are being offset as they relate to taxes on income levied by the same governing laws. Break up of DTA / DTL of current year is as follows:

Amount in ₹

Particulars	31.03.2011	31.03.2010
DTA on account of timing difference in depreciation	23,153	40,556
DTL on account of profit on sale of fixed assets shown in the books	(25,694)	(4,953)
DTA on account of loss on sale of fixed assets shown in the books	4,352	1,331
Net DTA to be credited to Profit and Loss account for the year	1,811	36,934

TAMILNADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

SCHEDULE – 10 (Contd)

7. Remuneration to the Managing Director

The salary, contribution towards pension and leave salary pertaining to the Managing Director and Chief Executive Officer have been paid at the rates prescribed by the Government since he is an IAS cadre employee on deputation from Government. Perquisites are considered at actual cost to the Company. Amount in ₹

Particulars	2010-2011	2009-2010
	Mr.K.Phanindra Reddy IAS	
Salary	12,76,653	11,94,659
Contributions to Pension & leave salary	2,34,864	2,34,297
Perquisites	4,97,449	4,16,282
Total	20,08,966	18,45,238

8. Earnings per Share:

Particulars	2010-2011	2009-2010
Profit after Tax (₹)	2,16,16,749	1,62,08,352
No. of Equity Shares	10,00,700	10,00,700
Earnings per Share Basic and Diluted (₹) (Face Value Per Share ₹ 10)	21.60	16.20

9) Small and Micro Enterprises:

According to information available with the management, there are no registered Micro and Small Enterprises to which the Company owes any dues as on 31.03.2011.

10) Previous year's figures have been regrouped wherever necessary.

For Joseph & Rajaram
 Firm Reg. No. 001375 S
 Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
R. Lakshminarayanan
 Partner
 Membership No. 16246

Sd/-
S.P. Chidambaram
 Director

Sd/-
Anita Praveen IAS
 Chairperson &
 Managing Director

Sd/-
A. Jayaraman
 Vice President &
 Company Secretary

Place : Chennai
 Date : 29.06.2011

BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS : TAMIL NADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED (TNUIFSL)

Registration No. 18 - 36865 (State code) : 18

Balance Sheet Date : 31.3.2011

II. CAPITAL RAISED DURING THE YEAR (Amount in ₹ Thousands)

Public Issue	: Nil	Rights Issue	: Nil
Bonus Issue	: Nil	Private Placement	: Nil

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in ₹ Thousands)

Total Liabilities	: 120378	Total Assets	: 120378
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SOURCE OF FUNDS

Paid-up Capital	: 10007	Reserves & Surplus	: 110371
Secured Loans	: Nil	Unsecured Loans	: Nil

APPLICATION OF FUNDS

Net Fixed Assets	: 4016	Investment	: 31900
Net Current Assets	: 84289	Misc. Expenditure	: Nil
Accumulated Losses	: Nil	Deferred Tax Asset	: 173

IV. PERFORMANCE OF THE COMPANY (Amount in ₹ Thousands)

Turnover	: 67876	Total Expenditure	: 35836
Profit before tax	: 32040	Profit /(Loss) after tax	: 21617
Earnings per Share	: 21.60	Dividend Rate	: 30%

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (as per monetary terms)

Item Code No.

(ITC Code) : Not Applicable

Product Description : Services

For and on behalf of the Board of Directors

Sd/-
S.P. Chidambaram
Director

Sd/-
Anita Praveen IAS
Chairperson &
Managing Director

Sd/-
A. Jayaraman
Vice President &
Company Secretary

Place : Chennai
Date : 29.06.2011

WATER AND SANITATION POOLED FUND

Activity Report for the financial year 2010-11

1. Background

Water and Sanitation Pooled Fund (WSPF), a wholly owned Government Trust, has been created in the year 2002 to cater to the civic needs like water and sanitation of small and medium towns by raising resources on pooled basis through market driven approach thereby reducing transaction and borrowing cost while funding for essential infrastructure. This Fund has been created as a cost neutral entity, functioning on no-profit no-loss basis.

WSPF acts as a pooled finance entity and facilitates the development of municipal bond market. As a pioneering effort for market access, certain sustainable projects implemented in few ULBs have been selected for raising resources by issue of bonds on pooled basis to refinance the existing high cost borrowings. This is the first pooled finance entity created for the development of municipal bond market.

2. Management of WSPF

WSPF is managed by Board of Trustees, headed by Chief Secretary to Government. The Board of Trustees of the Fund prescribes policies and procedures for the operation of the Fund. WSPF is functionally operated by the Fund Manager viz., TNUIFSL.

Chief Secretary to Government	Chairman
Secretary to the Govt., Finance Department	Member
Secretary to the Govt., Planning & Development Department	Member
Secretary to the Govt., Housing & Urban Development Department	Member
Secretary to the Govt., Municipal Admin. & Water Supply Department	Member
Managing Director and Chief Executive Officer, TNUIFSL	Member - Secretary

3. Objectives of WSPF

The objectives of WSPF are :

- i. Provide financial assistance for setting up infrastructure projects,
- ii. Mobilize resources from the capital market under pooled finance structure,
- iii. Facilitate the participation of private sector in water and waste water sectors through direct investment and joint delivery mechanism of public private partnership.
- iv. Enable urban local bodies to access debt finance from markets and
- v. Act as Nodal Agency on behalf of Central and / or State Government for water, sanitation and / or any other infrastructure projects.

4. Resource mobilization

i. Bond issue on pooled financing framework

During the financial year 2002-03, WSPF mobilized a sum of ₹ 30.41 crores by issue of 9.20% unsecured non-convertible redeemable bonds under pooled financing framework. The proceeds of the bond issue have been utilized to refinance the high cost borrowings (16.50%) of the ULBs. This first bond issue saved a sizable amount in the debt servicing of the ULBs, thereby freeing up the resources of ULBs for further augmentation. USAID has extended guarantee to the extent of 50% of the principal for this bond issue. Thirteen ULBs have participated in this consortium. This pooled financing structure is the first of its kind in India. The Government has provided a grant of ₹ 6.90 crores towards Bond Service Fund. M/s. Fitch Ratings India Private Limited and ICRA Limited have

assigned rating of AA (ind) (SO) / LAA (S), which denotes a stable investment grade. The number of bondholders as on 31.03.2011 is 28 and the bond balance outstanding as on 31st March, 2011 was ₹ 14.19 crores.

ii. Bond issue under Pooled Finance Development Fund (PFDF) Scheme

In 2007, the Government has designated WSPF as the State Pooled Finance Entity under PFDF Scheme of Government of India. A sum of ₹ 89.89 crores has been mobilized, in two tranches, by issue of tax free bonds under PFDF scheme to part fund water and sanitation projects of seven ULBs. The first tranche of ₹ 6.70 crores has been mobilized during April 2008 by issue of 7.25% unsecured, non-convertible, redeemable tax free bonds. The number of bondholders as on 31.03.2011 is 4 and the bond balance outstanding as on 31st March, 2011 was ₹ 6.70 crores. The second tranche of ₹ 83.19 crores has been mobilized during September, 2010 by issue of 7.50% unsecured, non-convertible, redeemable tax free bonds under the PFDF Scheme. The number of bondholders as on 31.03.2011 is 59 and the bond balance outstanding as on 31st March, 2011 was ₹ 83.19 crores.

Both, Government India and Government of Tamil Nadu have provided grants amounting to ₹ 20 crores for creation of Credit Rating Enhancement Fund. M/s. Fitch Ratings India Private Limited has assigned rating of AA (ind) (SO), which denotes a stable investment grade. This was the first and the only issue in the country under PFDF Scheme.

iii. National River Conservation Project (NRCP)

During the year 2003, the Government nominated WSPF as the nodal agency for arranging funds (towards State Government's Contribution) for implementation of the Under Ground Sewerage Projects under NRCP. A sum of ₹ 91.37 crores has been mobilized as term loan from TNUDF and passed on the funds as share of State Governments contribution to implementing agencies for implementation of the projects based on the progress of work. The loan is serviced by way of budgetary support of the Government.

iv. Proposed Bond Issue under Sustainable Municipal Infrastructure Financing - TN Program

KfW, the German funding agency, has committed to provide Euro 10 million (equivalent to ₹ 65 crores) loan to facilitate the access of smaller and medium sized municipalities to the bond market and issue bonds on an ongoing basis by pooling requirements of various ULBs, under Sustainable Municipal Infrastructure Financing - TN Program. The purpose of the program is to promote private financing for urban infrastructure projects with positive environmental effects in Tamil Nadu. The Government and KfW have approved the nomination of WSPF as an agency for raising resources by way of issue of taxable pooled bonds under the above program. It is proposed to approach the market by issue of bonds for ₹ 102 crores during the financial year 2011-12. A sum ₹19 crores has been provided by the Government as grant towards equity and cash collateral for the above said issue.

5. Accounts and Audit

The Accounts for the financial year 2010-11 have been audited by M/s. Ponraj & Co., Chartered Accountants, Chennai.

6. Acknowledgment

The Board of Trustees wish to place on record their appreciation of the assistance and co-operation extended to the Trust by Government of India, Government of Tamil Nadu, Director of Municipal Administration, USAID, KfW, Subscribers to the Bond Issues, Bankers, Arrangers, Underwriters, Credit Rating Agencies, Urban Local Bodies and Statutory Auditors.

Sd/-
Member Secretary, WSPF

AUDITORS' REPORT
TO THE TRUSTEES OF WATER AND SANITATION POOLED FUND

We have audited the attached Balance Sheet of Water and Sanitation Pooled Fund, a Trust fully owned by Government of Tamil Nadu, as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Trust. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by the Law have been kept so far as it appears from our examination of such books.
- c. The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d. The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given:
 - i. In the case of the Balance Sheet, of the state of affairs of **the Water and Sanitation Pooled Fund** as at 31.03.2011.
 - ii. In the case of the Income and Expenditure Account, the nil surplus or deficit of the Trust for the year ended on that date, subject to the adjustment of Rs.37,91,407/- to GoTN Account being the loss due to operation (interest loss), as detailed in Note No.2.2 of Notes to Accounts, enclosed.

Place: Chennai
Date: 30.06.2011

For Ponraj & Co.,
Chartered Accountants
Firm's Registration No.002672S
Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

BALANCE SHEET AS AT 31st MARCH 2011

	Sche dules	As at 31.03.2011		As at 31.03.2010	
		in ₹			
SOURCES OF FUNDS					
1. Contribution by Settlor			10,000		10,000
2. Government Grant Account	A		56,08,60,055		38,92,50,044
3. Loans Borrowed	B		205,35,16,941		93,21,56,324
Total			261,43,86,996		132,14,16,368
APPLICATION OF FUNDS					
4. Loans Disbursed	C		169,64,71,879		91,15,49,394
5. Current Assets, Loans & Advances					
Current Assets	D	71,95,49,311		17,44,23,178	
Loans & Advances	E	25,80,63,852		25,80,36,318	
		97,76,13,163		43,24,59,496	
Less :					
6. Current Liabilities and Provisions					
Current Liabilities	F	5,96,98,046		2,25,92,522	
7. Net current Assets			91,79,15,117		409,866,974
Total			261,43,86,996		132,14,16,368

Schedules referred to above form an integral part of the Accounts

In terms of our report of even date attached

For Ponraj & Co.

Chartered Accountants

Firm Reg. No. 002672S

For Water and Sanitation Pooled Fund

Sd/-

A.Selva Ganesh

Partner,

Membership No.028211

Sd/-

S.Karuthiah Pandian, IAS

Trustee

Sd/-

Anita Praveen, IAS

Member Secretary

Place : Chennai

Date : 30.06.2011

Place : Chennai

Date : 30.06.2011

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st March 2011

Particulars	Sche dules	For the Year 2010 - 2011	For the Year 2009 - 2010
		in ₹	
INCOME			
Interest earned on Loans Disbursed	G	11,09,18,895	7,98,53,797
Project Development Grant		16,54,089	12,43,772
Total		11,25,72,984	8,10,97,569
EXPENDITURE			
Interest on Loans Borrowed	H	11,09,18,895	7,98,53,797
Operational Expenses		16,54,089	12,43,772
Total		11,25,72,984	8,10,97,569
Excess of Income over Expenditure		0	0
Excess of Income over Expenditure brought forward from the previous year		0	0
Balance in Income over Expenditure carried forward to Balance Sheet		0	0

Schedules referred to above form an integral part of the Accounts

In terms of our report of even date attached

For Ponraj & Co.

Chartered Accountants

Firm Reg. No. 002672S

For Water and Sanitation Pooled Fund

Sd/-

A.Selva Ganesh

Partner,

Membership No.028211

Sd/-

S.Karuthiah Pandian, IAS

Trustee

Sd/-

Anita Praveen, IAS

Member Secretary

Place: Chennai

Date : 30.06.2011

Place: Chennai

Date : 30.06.2011

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31st March 2011

Receipts	For the Year 2010 - 2011	For the Year 2009 - 2010
	in ₹	
Opening balances :		
-Cash on hand	0	0
-Balance in Savings Bank Accounts	36,88,992	24,878
-Balance in Term Deposit Account with Banks	14,68,38,104	31,69,49,339
Total (A)	15,05,27,096	31,69,74,217
Receipts:		
Loan Installment Received	6,43,83,916	4,16,19,275
Loan from Government of Tamil Nadu	32,50,00,000	0
Grant from Government of Tamil Nadu	4,00,15,500	3,37,62,970
Grant from Grant Fund I for expenses	19,00,709	4,81,773
Front End Fees received	49,91,400	0
Interest on Deposits	2,79,32,139	3,54,74,165
CREF Grant from Government of Tamil Nadu	4,83,00,000	0
CREF Grant from Government of India	4,49,00,000	0
Issue of 7.50% PFDF Bonds	83,19,00,000	0
Total (B)	138,93,23,664	11,13,38,183
Total (A)+(B)	153,98,50,760	42,83,12,400
Payments:		
Payment to Bondholders	4,00,62,938	4,19,17,153
Expenses paid out of Grant from Grant Fund I	19,00,709	6,61,788
Professional Fees	1,103	0
Deposit with Financial Institutions	16,504	23,39,62,697
Loans Disbursed to ULBs	82,02,66,000	0
Operational expenses	16,44,162	12,43,666
Total (C)	86,38,91,416	27,77,85,304

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31st March 2011

Payments	For the Year 2010 - 2011	For the Year 2009 - 2010
	in ₹	
Closing balances :		
-Cash on hand	0	0
-Balance in Savings Bank Accounts	12,98,300	36,88,992
-Balance in Public Deposit Account	32,50,00,000	0
-Balance in Term Deposit Account with Banks	34,96,61,044	14,68,38,104
Total (D) (A+B-C)	67,59,59,344	15,05,27,096

In terms of our report of even date attached

For Ponraj & Co.

Chartered Accountants

Firm Reg. No. 002672S

For Water and Sanitation Pooled Fund

Sd/-

A. Selva Ganesh

Partner,

Membership No.028211

Sd/-

S. Karuthiah Pandian, IAS

Trustee

Sd/-

Anita Praveen, IAS

Member Secretary

Place: Chennai

Date : 30.06.2011

Place: Chennai

Date : 30.06.2011

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - A:		
Government Grant Account		
Government of Tamil Nadu Grant Account	20,33,42,480	14,60,53,183
Bond Service Fund	12,67,93,230	11,81,47,545
Credit Rating Enhancement Fund	22,53,43,662	11,84,93,776
Project Development Grant	53,80,683	65,55,540
Total	56,08,60,055	38,92,50,044
SCHEDULE - B :		
Loans Borrowed		
9.20% 15 year Taxable Non-convertible Redeemable Bonds	14,19,13,332	16,21,86,666
7.25% 10 year Tax Free Pooled Finance Development Bonds	6,70,00,000	6,70,00,000
7.50% 10 year Tax Free Pooled Finance Development Bonds	83,19,00,000	0
Other Loans	68,77,03,609	70,29,69,658
Loan from Government of Tamil Nadu	32,50,00,000	0
Total	205,35,16,941	93,21,56,324
SCHEDULE - C :		
Loans Disbursed :		
Loans Disbursed to ULBs	100,87,68,270	20,85,79,736
Receivable from Government of Tamil Nadu	68,77,03,609	70,29,69,658
Total	169,64,71,879	91,15,49,394
SCHEDULE - D:		
Current Assets		
Balances with Scheduled Banks		
-in Savings Bank Accounts	12,98,300	36,88,992
-in Public Deposit Account	32,50,00,000	0
-in Term Deposit Accounts	34,96,61,044	14,68,38,104
Interest Accrued on Deposits	1,67,28,347	58,11,880
Interest Accrued on Loans Disbursed to ULBs	1,23,25,588	43,89,455
Interest Accrued on Public Deposit with Banks	10,83,333	0
Interest Accrued on Loans Disbursed to others	1,34,52,699	1,36,94,747
Total	71,95,49,311	17,44,23,178

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - E:		
Loans and Advances (Unsecured, Considered Good)		
Term Deposits with Companies	25,64,79,201	25,64,62,697
Amount receivable from ULBs	3,18,682	3,18,682
Other Advances & Receivables	30,885	19,854
Tax Deducted at source	12,35,084	12,35,084
Total	25,80,63,852	25,80,36,318
SCHEDULE - F:		
Current Liabilities:		
Interest payable to the bondholders	4,32,24,293	88,79,907
Interest Payable on Government Loan	10,83,333	0
Interest Payable on Other Loans	1,34,52,699	1,36,94,747
Amount received in advance from ULBs	19,37,721	17,868
Total	5,96,98,046	2,25,92,522
SCHEDULE - G:		
Interest earned on Loans Disbursed		
Interest earned on Loans Disbursed to ULBs	5,41,33,990	2,11,27,710
Interest earned on Loans Disbursed to others	5,67,84,905	5,87,26,087
Total	11,09,18,895	7,98,53,797
SCHEDULE - H:		
Interest on Loans Borrowed		
Interest on bonds issued	5,41,33,990	2,11,27,710
Interest on other Loans Borrowed	5,67,84,905	5,87,26,087
Total	11,09,18,895	7,98,53,797

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

SCHEDULE - I

Significant Accounting Policies and Notes on Accounts (Year Ended 31.03.2011)

1. Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

b. Investments

Current Investments are valued at lower of cost or market value. Long term investments are usually carried at cost.

c. Income Recognition

Interest on loans disbursed and investment income are recognized as per contract on accrual basis.

d. Expenditure

The expenses relating to Trust viz. setting up, registration, operations etc. are met from the Grant Fund / Project Development Grant.

e. Employee Retirement Benefits

At present there are no employees in the Trust. The Trust is managed by the Fund Manager on fee basis.

f. Borrowing Costs

Borrowing costs are capitalized as part of the cost of the qualifying asset when it is probable that they will result in future economic benefit to the Trust and the cost can be measured. Other borrowing costs are recognized as an expense in the year in which they are incurred.

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

SCHEDULE - I

Significant Accounting Policies and Notes on Accounts (Contd)

2. Notes on Accounts

2.1. Formation

The Government of Tamil Nadu (GoTN) vide G.O.(Ms).No. 113, Municipal Administration and Water Supply (MA II) Department, dated 19.08.2002 has ordered the setting up of Water and Sanitation Pooled Fund (WSPF) under the Indian Trust Act, 1882. Accordingly the WSPF was established as a Trust under the Indian Trust Act, 1882, by a Deed of Trust dated 20.08.2002. The Settler is the GoTN and being the only Contributor to the Trust, the Trust is fully owned by the GoTN. This Trust has been set up as an entity not for profit but for playing an important role for common good and to serve the public and the Trust was expected to function as a mutual enterprise between the investors and Urban Local Bodies (ULBs) under the pooled financing framework.

2.2 GoTN Grant Account

The objective of the Trust is to mobilize funds and pass them on to ULB's for creation of infrastructure facilities, without any profit motive. Hence the Government ordered that all grants and amounts received from the GoTN, all grants and amounts disbursed as ordered by the GoTN and interest earned on deposits / investments made from the fund shall be accounted under the head GoTN Grant Account in the books of Trust. The loss due to operation (interest loss) amounting to ₹ 37,91,407/- for the financial year 2010-11 has been adjusted against GoTN Grant A/c.

2.3. Credit Rating Enhancement Fund (CREF) Grant and Project Development (PD) Grant

Amount received from Government of Tamil Nadu and Government of India as grant towards CREF for the tax free bond issue under the Pooled Finance Development Fund (PFDF) Scheme of Government of India along with the interest earned on CREF deposit has been accounted as CREF Grant under the head Government Grant Account. Similarly, amount from Government of Tamil Nadu and Government of India as grant for meeting the project development and issue expenses for the tax free bond issue under the PFDF Scheme along with the interest earned has been accounted as project development grant under the head Government Grant Account.

WATER AND SANITATION POOLED FUND

(Trust wholly owned by Government of Tamil Nadu)

Schedule - I

Significant Accounting policies and Notes on accounts (Contd)

3. WSPF Bonds

3.1 Mobilization of 9.20% 15 year Taxable Non-Convertible Redeemable Bonds

As per G.O. (Ms) No.114, Municipal Administration and Water Supply (MA.2) Department, dated 19.08.2002, the participating ULBs can access the WSPF's market funds under the pooled financing framework. Accordingly, the Trust has mobilized a sum of ₹ 30.41 crores during 2002 by pooling the requirement of 13 ULBs. The principal bond balance as on 31.03.2011 is ₹ 14.19 crores.

3.2 Mobilization of 7.25% and 7.50% 10 year Tax Free Pooled Finance Development Bonds

The Government of Tamil Nadu vide G.O. Ms. No. 23, MA & WS (MAII) Department, dated 12.02.07 designated the Trust as the State Pooled Finance Entity (SPFE) under the PFDF Scheme and authorized it to operate according to the guidelines issued by the Central Government. A sum of ₹ 89.89 crores has been mobilized by issue of tax free pooled finance development bonds ₹ 6.70 crores. @ 7.25% during April 2008 and ₹ 83.19 crores. @ 7.50% during September 2010]

4. Registration under section 12AA of the Income Tax Act 1961.

Water and Sanitation Pooled Fund has been registered as Public Charitable Trust under section 12AA of the Income Tax Act, 1961 vide Proceedings No. DIT (E) No.2 (1809) 07-08, dated 11.09.2008 issued by the Director of Income Tax (Exemptions), Chennai – 600 034.

5. Previous year's figures have been regrouped, wherever necessary.

In terms of our report of even date attached

For Ponraj & Co.

Chartered Accountants

Firm Reg. No. 002672S

Sd/-

A. Selva Ganesh

Partner,

Membership No.028211

For Water and Sanitation Pooled Fund

Sd/-

S. Karuthiah Pandian, IAS

Trustee

Sd/-

Anita Praveen, IAS

Member Secretary

Place : Chennai

Date : 30.06.2011

Place : Chennai

Date : 30.06.2011

GRANT FUND - I

Report on the activities and Annual Accounts of Grant Fund I for the FY 2010-2011

1. Introduction

The Grant Fund was created as a component of restructured Tamil Nadu Urban Development Project under IDA credit in March 1997 so as to enable the Urban Local Bodies (ULBs) to get financial assistance for implementation of urban infrastructure projects. Subsequently, the Grant Fund was operated as a component of TNUDP-II during the project period of 1999-2004.

The Government of Tamil Nadu (GoTN) has accorded its Administrative Sanction vide G.O. Ms. No.55, Municipal Administration and Water Supply (MA-II) Department, dated 29.4.2005 for implementation of Third Tamil Nadu Urban Development Project (TNUDP-III). Further, the GoTN vide G.O. Ms. No.77, Municipal Administration & Water Supply Department, dated 03.06.2005 has prescribed guidelines for operation of Grant Fund-I (GF-I) under TNUDP III. The total outlay of the project is US \$ 434 million (about ₹ 1996.40 crores) with the International Bank for Reconstruction and Development (IBRD) line of credit of US \$ 300 million. Initially, the capital grant to ULBs to be disbursed through GF I is US \$ 94.50 million. During the financial year 2009-10, the TNUDP III was restructured vide GO Ms. No.247, Municipal Administration & Water Supply (MA-II) Department, dated 16.12.2009 and due to re-structuring the capital grant to ULBs has been increased to US \$ 176.50 million (about ₹ 811.90 crores).

2. Objectives

The Grant Fund-I is a capital grant fund and will be used to assist ULBs towards,

- i. Financing projects which directly benefit urban low income populations such as water supply, storm water drain, street lighting, sanitation and sewerage systems, etc., financed under TNUDP III.
- ii. Providing project viability gap fund for sub-projects funded under TNUDP-III.
- iii. Meeting the cost of resettlement and rehabilitation for urban poor, related to sub-projects to be funded under the TNUDP-III.

3. Fund Management

The GF I is managed by the Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as a fund manager of GF I.

4. Fund Size, sources and allocation

The GF I is part of IBRD assisted TNUDP III. A sum of ₹ 811.90 crores will be passed to GF I. The amount will be provided by the Government of Tamil Nadu, every year, by way of budgetary allocation. The existing balances available in the Grant Fund established under

TNUDP II shall be merged with the GF I under the TNUDP III. The interest from investments and any other income earned or accruing to GF - I shall form part of its corpus and shall be applied for the purposes for which the fund is created.

5. Eligibility Criteria

5.1. Eligibility

The sanction of capital grant from GF I is subject to the following:

- 1) For bus stand, commercial projects and other revenue earning schemes financial assistance under the GF-I will be subject to the following conditions:
 - a) The financial resource of the ULBs and financial assistance given by Government should be in the ratio of 3:1.
 - b) 80% of property tax should have been collected in the past three years prior to the project investment year.
 - c) The ULB should have repaid all loan dues for two years prior to the project investment year.
- 2) For basic services such as water supply, sewerage & sanitation, roads, streetlights, solid waste management grant assistance will be available if more than 20% of project beneficiaries are people living below the poverty line.

5.2. Eligible Projects

All basic service projects such as water supply, sanitation & sewerage, solid waste disposal etc and revenue earning projects like bus stands implemented by ULBs are eligible for financial assistance.

5.3. Eligible Grant Applicants

All ULBs in the State of Tamil Nadu are eligible for financial assistance.

5.4. Eligible Amount

The quantum of capital grant shall not exceed 30% of the cost of the sub-project being financed under the TNUDP-III subject to a maximum of ₹ 10 crores per project (or) the grant towards viability gap funding shall not exceed Rs.10 crores per project. However, the State Level Project Sanctioning Committee, constituted by the Government will have the flexibility to decide upon the exact capital grant portion to be extended to sub- projects based on assessment of financial viability of the sub-project and the financial strength of the respective ULB.

6. Procedure for application and approval of grant

6.1 Application for grant

Application from the ULB for capital grant shall be submitted through Commissionerate of Municipal Administration / Commissionerate of Town Panchayats to the fund manager, with the following:

a. Council Resolution

The ULBs shall submit the Council Resolution for execution of the project and availing the capital grant under GF-I.

b. Detailed Project Report

The application for grant should contain a detailed report of the project covering the subjects including suitability of site; availability of inputs; appropriateness, of a proven experience with the technology offered; project design; arrangements for detailed engineering; cost estimates; construction and procurement arrangements; arrangements for operation and maintenance; arrangements for compliance with environmental, resettlement and social standard as stipulated by the Government from time to time, in consistence with the Environmental and Social Framework as applicable, adequacy of the proposed financing and the eligibility criteria.

c. Details of below poverty line population

In case of the projects which directly benefit the urban low-income population, the justification for the use of the Grant Fund should be substantiated in the grant proposal by indicating the numbers of targeted urban low-income population and specific project areas and expected impact on the improvement of the living standard of the targeted population.

6.2 Appraisal of the grant application and the project

While appraising the grant fund application, it shall be ensured that

- The purpose of grant meets the objectives as prescribed in the GF-I guidelines;
- The project uses the most appropriate process and cost effective technology and technical specifications;
- The project is adequately funded;
- The ULBs demonstrates financial and institutional capacity to operate and maintain the facilities constructed;
- The project meets the requirements stipulated in the Environment and Social Framework, as applicable.

6.3 Approval of capital grant

Based on the detailed appraisal, eligible capital grant will be sanctioned for the sub-projects to be funded under TNUDP III.

6.4 Disbursement of Grant

Based on the approval, the fund manager shall intimate the amount of capital grant sanctioned and prescribe conditions as may be required for proper utilization of grant for the implementation of the sub-projects. Based on the progress of work, the grant shall be disbursed to ULBs, in one or more installments.

7. Procurement

The sub-projects to be financed by the GF-I shall follow IBRD guidelines for procurement of goods, works and services.

8. Performance

The funds have been committed for 101 sub-projects under TNUDP III, of which capital grant has been sanctioned for 83 sub-projects amounting to Rs. 800.01 crores. A sum of ₹ 150 crores (previous year ₹ 70 crores) has been released by Government to GF I during the financial year 2010-11. A sum of ₹ 153.50 crores (previous year ₹ 88.72 crores) has been disbursed to the ULBs during the financial year 2010-11 based on the progress of the project.

A sum of ₹ 368.50 crores has been disbursed to ULBs as capital grant up to 31.3.2011, as detailed below :

(₹ in crores)

Sl.No.	Scheme	No. of projects	Grant sanctioned	Grant disbursed
1.	Solid Waste Management	31	8.01	5.56
2.	Sanitation & Sewerage	25	583.05	279.54
3.	Water Supply	18	191.77	69.75
4.	Roads	7	6.48	4.06
5.	Bus Stand	1	1.32	1.19
6.	Others (River improvement)	1	9.37	8.40
	Total	83	800.01	368.50

The balance capital grant will be released to the ULBs based on the progress of project.

9. Accounts and Audit

The Annual Accounts for the financial year 2010-2011 have been audited by M/s. Ponraj & Co., Chartered Accountants, Chennai.

AUDITORS' REPORT
TO THE FUND MANAGER OF GRANT FUND I

We have audited the attached financial statement of **Grant Fund I** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept so far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given.
 - In case of the Balance Sheet, of the state of affairs of **the Grant Fund-I** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of Surplus** of the funds for the year ended on that date.

For **Ponraj & Co.**,
Chartered Accountants
Firm's Regn. No. 002672S

A. Selva Ganesh

Partner

Membership No. 028211

Place : Chennai
Date : 29.06.2011

GRANT FUND - I
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31 MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
SOURCES OF FUNDS			
Grant Fund	1	118,21,01,329	117,76,99,554
Total		118,21,01,329	117,76,99,554
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	84,89,20,892	66,18,18,634
Loans and advances	3	33,32,17,702	51,59,15,979
		118,21,38,594	117,77,34,613
Less : Current Liabilities	4	37,265	35,059
Net Current Assets		118,21,01,329	117,76,99,554
Total		118,21,01,329	117,76,99,554
Notes to Accounts	5		

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached
For **Ponraj & Co.,**
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services Limited
Fund Manager of Grant Fund-I)**

Place : Chennai

Date : 29.06.2011

GRANT FUND - I
(Grant Fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year ended 31.03.2011	For the Year ended 31.03.2010
	in ₹	
INCOME		
Interest earned		
On Savings Bank Account	7,66,488	40,055
On Deposit Accounts	5,74,78,996	11,48,65,826
Total	5,82,45,484	11,49,05,881
Expenditure		
Management Fee	1,69,30,940	97,85,437
Audit Fee – Statutory Audit	22,060	22,060
Total	1,69,53,000	98,07,497
Excess of Income over Expenditure transferred to Grant Fund	4,12,92,484	10,50,98,384
Notes to Accounts - Schedule 5		

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached
For **Ponraj & Co.,**
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services Limited
Fund Manager of Grant Fund-I)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - I
(Grant Fund of Government of Tamil Nadu)
RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year ended 31.03.2011	For the Year ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	150,00,00,000	70,00,00,000
Interest Receipts	7,21,92,519	10,09,97,265
Other Receipts	0	8,51,80,703
Term Deposit with Companies	16,87,51,242	0
Total	174,09,43,761	88,61,77,968
Payments		
Disbursement to Urban Local Bodies	153,49,90,000	88,71,65,581
Disbursement to WSPF	19,00,709	6,49,240
Management Fee	1,69,30,940	97,98,673
Term Deposit with Companies (net)	0	13,65,13,050
Audit Fees	19,854	15,442
Total	155,38,41,503	103,41,41,986
Surplus / (Deficit) for the year	18,71,02,258	(14,79,64,018)
Add: Opening Cash and Bank Balance	66,18,18,634	80,97,82,652
Closing Cash & Bank Balances	84,89,20,892	66,18,18,634

Vide our report of even date attached
For **Ponraj & Co.**,
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services Limited
Fund Manager of Grant Fund-I)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - I

(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Grant Fund		
Balance at the beginning of the year	117,76,99,554	126,04,15,991
Add: Grant received during the year	150,00,00,000	70,00,00,000
Excess of Income over Expenditure carried from Income and Expenditure Account	4,12,92,484	10,50,98,384
	271,89,92,038	206,55,14,375
Less : Disbursement to ULBs during the year	153,49,90,000	88,71,65,581
Disbursement towards other expenses	19,00,709	6,49,240
Total	118,21,01,329	117,76,99,554
Schedule - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
In Savings Bank Account	4,20,892	23,18,634
In Term Deposit Account	39,85,00,000	45,95,00,000
In Public Deposit Account	45,00,00,000	20,00,00,000
Total	84,89,20,892	66,18,18,634
Schedule - 3		
Loans and advances		
Accrued interest on Deposits	2,97,93,893	4,37,40,928
Term Deposit with Companies	30,22,61,808	47,10,13,050
TDS on interest on Deposits	11,62,001	11,62,001
Total	33,32,17,702	51,59,15,979
Schedule - 4		
Current Liabilities		
Audit Fee payable	22,060	19,854
Other Liabilities	15,205	15,205
Total	37,265	35,059

GRANT FUND - I

(Grant Fund of Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

Schedule - 5

Notes on Accounts for the year ended 31.03.2011

1 Nature of operation

The Grant Fund I is created by Government of Tamil Nadu to assist Urban Local Bodies for providing capital grant and project viability gap fund to implement urban infrastructure projects financed under World Bank line of credit.

2 Significant Accounting Policies

a) Financial Statements: The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.

b) Grant Fund: The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursement made towards capital grant & project viability gap fund and other eligible expenditure.

c) Revenue Recognition: Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligations entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **Ponraj & Co.,**
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services Limited
Fund Manager of Grant Fund-I)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - II

Report on the activities and Annual Accounts of Grant Fund II for the FY 2010-2011

1. Introduction

The Grant Fund-II was created as a component of IBRD line of credit in the year 1999 for providing technical assistance to Urban Local Bodies and other entities, for preparation of detailed project reports, design, management and supervision of projects. Subsequently, the Grant Fund-II is operated as a component of TNUDP-II during the project period of 1999-2004.

The Government of Tamil Nadu (GoTN) has accorded its Administrative Sanction vide G.O. Ms. No.55, Municipal Administration and Water Supply (MA-II) Department, dated 29.4.2005 for implementation of Third Tamil Nadu Urban Development Project (TNUDP-III). Further, the GoTN vide G.O. Ms. No.78, Municipal Administration & Water Supply Department, dated 03.06.2005 has prescribed guidelines for operation of Grant Fund-II (GF-II) under TNUDP III. The total outlay of the project is US \$ 434 million (about ₹1996.40 crores) with the International Bank for Reconstruction and Development (IBRD) line of credit of US \$ 300 million. During the financial year 2009-10, the TNUDP III was restructured vide GO Ms. No.247, Municipal Administration & Water Supply (MA-II) Department, dated 16.12.2009 and due to re-structuring the grant to be passed to GF-II is US \$ 9 million (about ₹ 41.40 crores).

2. Objectives

The Grant Fund – II is a technical assistance grant and will be used to assist urban local bodies, statutory boards and other entities towards preparation, design, supervision management of urban infrastructure projects including more complex and innovative projects, projects through private sector participation etc.

3. Fund Management Operations and Procedures

The Grant Fund II is managed by the Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as a fund manager of Grant Fund II.

4. Fund size, sources and allocation

The Grant Fund II is part of IBRD assisted TNUDP III. A sum of ₹ 41.40 crores will be passed on to Grant Fund II. The amount will be provided by Government of Tamil Nadu, every year,

by way of budgetary allocation. The existing balances available in the Grant Fund established under TNUDP II shall be merged with the GF II under the TNUDP III. The interest from investments and any other income earned or accruing to GF - II shall form part of its corpus and shall be applied for the purposes for which the fund is created.

5. Eligibility Criteria

Eligible projects include the preparation, design and supervision management of costs of all urban infrastructure including more complex and innovative projects, projects through private sector participation etc. However, the limitation for grant allocation will be (i) not more than 10 % of the fund will be allocated to any single project and (ii) not more than 30 % of the fund shall be utilized for proposals / studies initiated by the fund manager, for preparation of eligible projects.

6. Procedure for application and approval of grant

The application for grants should contain the details of the projects such as name of the project, rough cost estimate of project (if available / applicable), background and need for technical assistance, objectives, scope of services required for the technical assistance, data and any other support to be provided by the project sponsors and institutional capacity to implement the system. The application for grant from the ULBs / statutory boards should be supported by a council resolution / board resolution, as the case may be. The proposals will be placed before a Committee, constituted by the Government, for approval. Based on the approval of the Committee, the fund manager will appoint the competent consultant(s). Based on the progress of work after due diligence, the grant shall be disbursed to the consultants in one or more installments.

7. Procurement

The appointment of consultants for the proposed technical assistance shall be made based on the IBRD procurement guidelines.

8. Performance during the financial year 2010-11

The following consultancy assignments have been completed during the financial year 2010-11:

- i. Preparation of Detailed Project Report for Rail Over Bridges / Rail Under Bridges for improving 5 major junctions (Mint, Basin Bridge, Ganeshpuram, Anderson Bridge and Luz) in Chennai City.
- ii. Preparation of Detailed Project Report along with drawings, designs, specifications and bid documents for improvements to existing infrastructure including procurement of equipment for TNSTC (Madurai) Ltd.

- iii. Integrated Solid Waste Management study for four towns covering Kulithalai, Manapparai, Thuvakudi and Trichy Corporation.
- iv. Preparation of Town Investment Plan 16 town Panchayats (Annamalai Nagar, Vadalur, Tharangampadi, Ottenchataram, Thudiyalur, Thirupattur, S.Kannanur, Peravurani, Gandhi Nagar, Chengam, Polur, Allapuram, Kottapakkam, Sembakkam, Sholinganallur and Perungudi town Panchayats.
- v. Proof Checking of Detailed Project Report for Melur Combined Water Supply improvement scheme covering 3 municipalities, 6 town panchayats and 1430 rural habitations Madurai District and one Town Panchayats in Sivaganga District with River Cauvery as source.
- vi. Proof Checking of Detailed Project Report for Combined Water Supply improvement scheme covering 7 town panchayats and 395 rural habitations in Rajapalayam, Srivilliputtur, Watrap and Sivakasi with Mukkudal as source.
- vii. Proof Checking of Detailed Project Report for Combined Water Supply improvement scheme covering Palladam Municipality, 23 town panchayats and 965 rural habitations in Coimbatore and Tiruppur Districts with Pillur reservoir as source.
- viii. Proof Checking of Detailed Project Report for Combined Water Supply improvement scheme covering Attur, Narasingapuram Municipalities, 20 Town Panchayats and 1345 rural habitations in Salem District.
- ix. Conversion of city corporate plan into business plan for Vellore, Villupuram and Tiruvannamalai.
- x. Preparation of DPR for underground sewerage schemes for Sivakasi and Mannargudi.

The following are the on-going consultancies:

- i. Study on privatization of Municipal Solid Waste Management activities in Ambattur Municipality.
- ii. Study on improvements to existing infrastructure and procurement of equipment for Metropolitan Transport Corporation.
- iii. Study on Integrated Solid Waste Management for two clusters (covering Melur, Usilampatti, Tirupparankundram, Tirumangalam, Avnaniyapuram, Aniyur and Sivaganga, Tirunelveli, Sankarankoil, Kadayanallur, Sengottai, Tenkasi, Puliyangudi, Amabasamudram and Vikramasingapuram)
- iv. Bid Process Management services for developing the vacant land in Kumbakonam Municipality.

- v. Environmental Assessment and Monitoring of TNUDF / CMDA projects.
- vi. Transaction advisory services to identify O & M operator for under ground sewerage scheme in Alandur Municipality.
- vii. Transaction advisory services to develop a model for price discovery through BOT operations of various possible activities at various locations in Tiruchirapalli City Corporation areas.
- viii. Study on Thyagaraya Nagar urban re-development.
- ix. Carrying out Technical Quality Audit for all water supply and under ground sewerage schemes funded by TNUDF.
- x. Transaction Advisory services to develop a model through BOT for land development in Tudiyalur Town Panchayat, Kavundampalayam and O&M on PPP mode for Bus Stand at Mettupalayam Road in Coimbatore Corporation.
- xi. Transaction advisory services to develop a model through BOT for land development in Virudhunagar Municipality and Palayamakottai Nehruji children park for Tirunelveli Corporation.

The following consultancies have taken up during the current financial year 2010-11 and are in progress:

- i. Preparation of City Development Plan to avail funding under Jawaharlal Nehru National Urban Renewal Mission for Tiruppur Corporation.
- ii. Transaction Advisory services for renovation and improvements of 8 water bodies and to develop a model through BOT for Coimbatore Corporation.
- iii. Preparation of Eco-restoration Plan for Panamarathupatti lake in Salem.
- iv. Transaction advisory services to develop a model through BOT for development of various vacant land in Mamandur, Vikravandi, Ulundurpet, Kancheepuram and Tiruvannmalai for TNSTC (Villupuram) Ltd.
- v. Preparation of Detailed Project Report for development of water bodies in Ramanathapuram.
- vi. Preparation of Detailed Project Report for Grade Separators at Rajiv Gandhi Salai (IT Corridor) in Chennai.
- vii. Preparation of Detailed Project Report for developing an eco-restoration plan for Elanthakulam at Palayamkottai, Tirunelveli.

- viii. Preparation of Detailed Project Report for daily market comprising of vegetable, flower, fish and mutton shops in Kodaikanal.
- ix. Proof checking Detailed Project Report for Hogenekkal Water Supply and Fluorosis Mitigation Project.
- x. Preparation of Detailed Project Report for development of Kodaikanal Lake.
- xi. Preparation of Ecological designs for a nature trail along the Cooum river (1.5 km) in Chennai.

Out of 122 cases of ongoing consultancies during the financial year 2010-11 (consultancy fee of about ₹ 21.2 crores), 47 consultancies (consultancy fee of ₹ 5.28 crores) have been converted as projects, implying a performance of 39% in number and 25% in value. Projects worth ₹ 1327.88 crores have been fructified.

9. Disbursement

During the financial year 2010-11, a sum of ₹ 5.00 crores (previous year ₹ 5.00 crores) has been released by GoTN to Grant Fund II and a sum of ₹ 2.00 crores (previous year ₹ 2.07 crores) has been disbursed for various consultancies based on progress. The balance of fund as on 31.03.2011 is ₹ 11.07 crores (previous year ₹ 7.83 crores).

10. Accounts and Audit

The Annual Accounts for the financial year 2010-11 have been audited by M/s.Ponraj & Co., Chartered Accountants, Chennai.

AUDITORS' REPORT
TO THE FUND MANAGER OF GRANT FUND II

We have audited the attached Balance sheet of **Grant Fund II** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the Law have been kept so far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given
 - In case of the Balance Sheet, of the state of affairs of **the Grant Fund-II** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of Surplus** of the funds for the year ended on that date.

For **Ponraj & Co.**,
Chartered Accountants
Firm Regn. No. 002672S

Sd/-

A. Selva Ganesh

Partner

Membership No. 028211

Place : Chennai

Date : 29.06.2011

GRANT FUND - II
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31 MARCH 2011

PARTICULARS	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
SOURCES OF FUNDS			
Grant Fund	1	11,06,59,951	7,82,56,254
Total		11,06,59,951	7,82,56,254
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	11,01,73,627	6,56,47,952
Loans and advances	3	8,16,350	1,29,36,122
		11,09,89,977	7,85,84,074
Less: Current Liabilities	4	3,30,026	3,27,820
Net current assets		11,06,59,951	7,82,56,254
Total		11,06,59,951	7,82,56,254
Notes on Accounts Schedule 5			

Schedules referred above form an integral part of accounts

Vide our report of even date attached
For **Ponraj & Co.**,
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited Fund Manager of Grant Fund-II)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - II

(Grant fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
INCOME		
Interest Earned		
On Savings Bank Account	66,705	34,454
On Deposits Account	26,22,691	28,80,064
Total	26,89,396	29,14,518
EXPENDITURE		
Management Fee	2,21,070	2,28,412
Audit Fee - Statutory Audit	22,060	22,060
Total	2,43,130	2,50,472
Excess of Income over Expenditure transferred to Grant Fund	24,46,266	26,64,046
Notes on Accounts (Schedule 5)		

Schedules referred above form an integral part of accounts

Vide our report of even date attached

For **Ponraj & Co.,**

Chartered Accountants

Firm Regn. No. 002672S

Sd/-

A. Selva Ganesh

Partner

Membership No. 028211

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &

Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited Fund Manager of Grant Fund-II)

Place : Chennai

Date : 29.06.2011

GRANT FUND - II
(Grant Fund of Government of Tamil Nadu)
RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year ended 31.03.2011	For the Year ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	5,00,00,000	5,00,00,000
Interest Receipts	21,77,818	30,04,968
Term Deposit with Companies	1,26,31,350	0
Total	6,48,09,168	5,30,04,968
Payments		
Disbursements	2,00,42,569	2,07,08,328
Management Fee	2,21,070	2,28,412
Audit Fees	19,854	15,442
Term Deposit with Companies (net)	0	21,31,350
Total	2,02,83,493	2,30,83,532
Surplus / Deficit for the year	4,45,25,675	2,99,21,436
Add: Opening Cash and Bank Balance	6,56,47,952	3,57,26,516
Closing Cash & Bank Balances	11,01,73,627	6,56,47,952

Vide our report of even date attached

For **Ponraj & Co.**,
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited Fund Manager of Grant Fund-II)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
Schedule - 1		
Grant Fund		
Balance at the beginning of the year	7,82,56,254	4,63,00,536
Add : Grant received during the year	5,00,00,000	5,00,00,000
Excess of Income over Expenditure carried from Income and Expenditure Account	24,46,266	26,64,046
	13,07,02,520	9,89,64,582
Less: Disbursements during the year	2,00,42,569	2,07,08,328
Total	11,06,59,951	7,82,56,254
Schedule - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
In Savings Bank Account	2,08,283	3,47,952
In Term Deposit Account	8,49,65,344	1,53,00,000
In Public Deposit Account	2,50,00,000	5,00,00,000
Total	11,01,73,627	6,56,47,952
Schedule - 3		
Loans and advances		
Accrued interest on Term Deposits	8,12,357	3,00,779
Term Deposit with Companies	0	1,26,31,350
TDS on interest on Deposits	3,993	3,993
Total	8,16,350	1,29,36,122
Schedule - 4		
Current Liabilities		
Audit Fee payable	22,060	19,854
Other Liabilities	3,07,966	3,07,966
Total	3,30,026	3,27,820

GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

Schedule forming part of the Accounts for the year ended 31st March 2011

Schedule 5

Notes on Accounts for the year ended 31.03.2011

1. Nature of operation

The Grant Fund II is a technical assistance fund created by Government of Tamil Nadu to support the urban local bodies and other entities towards consultancy services for preparation of Detailed Project Report, supervision and management of projects, including more complex and innovative projects.

2. Significant Accounting Policies

a) Financial Statements: The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.

b) Grant Fund: The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursement made towards technical assistance and other eligible expenditure.

c) Revenue Recognition: Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **Ponraj & Co.**,
Chartered Accountants
Firm Regn. No. 002672S

Sd/-
A. Selva Ganesh
Partner
Membership No. 028211

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited Fund Manager of Grant Fund-II)**

Place : Chennai

Date : 29.06.2011

GRANT FUND - III

Report on the activities and Annual Accounts of Grant Fund - III for the Financial Year 2010-2011

1. Introduction:

The Government of Tamil Nadu (GoTN) has accorded its Administrative Sanction vide G.O. Ms. No.55, Municipal Administration and Water Supply (MA-II) Department, dated 29.4.2008 for implementation of Third Tamil Nadu Urban Development Project (TNUDP-III). The Government of Tamil Nadu (GoTN) vide its order No. G.O. Ms. No.67, Housing and Urban Development Department, dated 27.02.2006 has accorded sanction for setting up Grant Fund III (GF-III) under TNUDP – III for an amount equivalent to US \$ 150 million (of which GoTN's share will be about US \$ 27 million and the IBRD's line of credit will be about US \$ 123 million) and prescribed guidelines for its operation. During the financial year 2009-10, the TNUDP III was restructured vide GO Ms. No.247, Municipal Administration & Water Supply (MA-II) Department, dated 16.12.2009 and due to re-structuring the grant to GF III has been reduced to US \$ 41 million (about ₹ 188.60 crores), of which IBRD line of credit will be US \$ 37 million.

2. Objectives

The Grant Fund III will be used to assist projects executed by the Department of Highways & Minor Ports and Traffic Police under the supervision of Chennai Metropolitan Development Authority (CMDA), with respect to up-gradation of roads, distribution of grade separators, traffic management measures etc. The grant will be provided to meet the cost of the Project Management Unit of the CMDA, consultancies to prepare various studies and reports, implementation of the projects including supervision costs and other eligible expenditure.

3. Operations and Procedures:

The GF-III is managed by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines and procedures prescribed by GoTN, from time to time. TNUIFSL acts as a fund manager of GF III.

4. Fund size, sources and allocation

The GF III is part of IBRD assisted TNUDP III. A sum of ₹ 188.60 crores will be passed on to GF III. The amount will be provided by the Government of Tamil Nadu, every year, through budgetary allocation. The interest from investments and any other income earned or accruing to GF - III shall form part of its corpus and shall be applied for the purposes for which the fund is created.

5. Eligibility Criteria

All traffic and transportation projects to be implemented in the Chennai Metropolitan Area under the supervision of CMDA under Tamil Nadu Urban Development Project-III would be eligible for funding assistance under GF III.

6. Application & Approval

The CMDA will generally make a request to the fund manager for release of funds, based on the progress of the project(s) and accordingly grant would be release. However in the case of payment to consultancies, grant would be released in accordance with the terms of reference given to the consultant for every stage of completion of the report and in the case of implementation of works, grant would be released based on progress of work and upon utilization of funds previously disbursed. CMDA will send the statement of expenditure to the fund manager, upon utilization of funds in the format prescribed, in order to claim reimbursement from the World Bank.

7. Procurement

The project / consultancies funded under GF III shall follow the IBRD procurement guidelines.

8. Performance

A sum of ₹ 25.80 crores has been received during the financial year 2010-2011 from Government as grant for implementing the projects as traffic and transportation component under TNUDP-III. A sum of ₹ 26.25 crores (previous year ₹ 27.15 crores) has been disbursed during the financial year 2010-2011 to CMDA for implementing the projects as Traffic and Transportation Component under TNUDP-III.

9. Accounts and Audit

The Annual Accounts for the financial year 2010-11 have been audited by M/s.N.Raja & Associates, Chartered Accountants, Chennai.

AUDITORS' REPORT

TO THE FUND MANAGER OF GRANT FUND-III

We have audited the attached Balance Sheet of **Grant Fund-III** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principle used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept so far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes give true and fair view.
 - In case of the Balance Sheet, of the state of affairs of **the Grant Fund-III** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of surplus** of the funds for the year ended on that date.

For N. Raja & Associates
Chartered Accountants
Firm's Registration No. 003388S

Sd/-
N. Raja
Partner

Membership No.022890

Place : Chennai
Date : 29.06.2011

GRANT FUND - III
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31 MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
SOURCES OF FUND			
Grant Fund	1	3,31,51,401	3,19,23,004
Total		3,31,51,401	3,19,23,004
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	1,98,91,681	49,36,904
Loans and Advances		1,32,76,265	2,70,02,645
		3,31,67,946	3,19,39,549
Less: Current Liabilities	4	16,545	16,545
Net Current Assets		3,31,51,401	3,19,23,004
Total		3,31,51,401	3,19,23,004
Notes on Accounts	5		

Schedules referred above form an integral part of accounts

Vide our report of even date attached
For **N. Raja & Associates**,
Chartered Accountants
Firm Regn. No. 003388S

Sd/-
N. Raja
Partner
Membership No. 022890

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited Fund Manager of Grant Fund-III)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - III

(Grant fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	2,59,134	3,977
On Deposit Accounts	62,22,888	1,41,35,678
Total	64,82,022	1,41,39,655
Expenditure		
Management Fee	7,23,844	7,48,662
Audit Fee – Statutory Audit	16,545	16,545
Other Expenses	13,236	13,236
Total	7,53,625	7,78,443
Excess of Income over Expenditure transferred to Grant Fund	57,28,397	1,33,61,212
Notes on Accounts - (Schedule 5)		

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached
For **N. Raja & Associates**,
Chartered Accountants
Firm Regn. No. 003388S

Sd/-
N. Raja
Partner
Membership No. 022890

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of Grant Fund-III)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - III

(Grant Fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	25,80,00,000	0
Interest Receipts	64,95,952	1,45,24,651
Term Deposit with Companies	1,37,12,450	0
Total	27,82,08,402	1,45,24,651
Payments		
Disbursement to CMDA	26,25,00,000	27,15,00,000
Management Fee	7,23,844	7,75,134
Statutory Audit Fees & Other Fees	29,781	0
Term Deposit with Companies	0	2,64,50,000
Total	26,32,53,625	29,87,25,134
Surplus / (Deficit) for the year	1,49,54,777	(28,42,00,483)
Add: Opening Cash and Bank Balance	49,36,904	28,91,37,387
Closing Cash & Bank Balances	1,98,91,681	49,36,904

Vide our report of even date attached
For **N. Raja & Associates**,
Chartered Accountants
Firm Regn. No. 003388S

Sd/-
N. Raja
Partner
Membership No. 022890

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of Grant Fund-III)**

Place : Chennai
Date : 29.06.2011

GRANT FUND - III
(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
Schedule - 1		
Grant Fund		
Balance at the beginning of the year	3,19,23,004	29,00,61,792
Add: Grant assistance received during the year	25,80,00,000	0
Excess of Income over Expenditure	57,28,397	1,33,61,212
	29,56,51,401	30,34,23,004
Less: Disbursement to CMDA during the year	26,25,00,000	27,15,00,000
TOTAL	3,31,51,401	3,19,23,004
Schedule - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	91,681	1,36,904
in Term Deposit Account	1,98,00,000	48,00,000
TOTAL	1,98,91,681	49,36,904
Schedule - 3		
Loans and Advances		
Accrued Interest on Term Deposits	5,38,715	5,52,645
Term Deposits with Companies	1,27,37,550	2,64,50,000
TOTAL	1,32,76,265	2,70,02,645
Schedule - 4		
Current Liabilities		
Audit Fee payable	16,545	16,545
TOTAL	16,545	16,545

GRANT FUND - III

(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Schedule 5

Notes on Accounts for the year ended 31.03.2011

1. Nature of operation

The Grant Fund-III is a capital assistance grant fund created by Government of Tamil Nadu to assist various transport projects including consultancies executed in Chennai Metropolitan Area under the supervision of Chennai Metropolitan Development Authority (CMDA).

2. Significant Accounting Policies

- a) **Financial Statements:** The financial statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
- b) **Grant Fund:** The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursements made towards capital grant and other eligible expenditure.
- c) **Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedule 1 to 5

Vide our report of even date attached
For **N. Raja & Associates**,
Chartered Accountants
Firm Regn. No. 003388S

Sd/-
N. Raja
Partner
Membership No. 022890

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of Grant Fund-III)

Place : Chennai
Date : 29.06.2011

Project Preparatory Grant Fund

Report on the activities and Annual Accounts of Project Preparatory Grant Fund for the Financial Year 2010-2011

1. Introduction

The Project Preparatory Grant Fund (PPGF) was created in the year 2007 vide GO Ms. No.170, Municipal Administration & Water Supply (MA-II) Department, dated 5.12.2007 in order to provide necessary technical support to the Urban Local Bodies and other entities for sustained infrastructure development in the State and prescribed guidelines for operation and management of PPGF.

2. Objectives

The objectives of the PPGF are to finance the costs of technical assistance for preparation of pre-feasibility and detailed feasibility studies; preparation of detailed project report including detailed design, environmental and social assessment and economic assessment; preparation of procurement packages, bid documents, implementation, supervision, monitoring and management in respect of projects; resource mobilization and rating assessment; studies proposed with the objective of cost reduction, broad base revenue generation, improve the service delivery and efficient utilization municipal assets; effectiveness of the project already executed and impact assessment studies; and seminar, conference, meetings, workshop and other means of public participation in formulation of policies and information dissemination.

3. Fund management

The PPGF fund is managed by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines and procedures prescribed by the Government of Tamil Nadu (GoTN), from time to time. TNUIFSL acts as a fund manager of the PPGF.

4. Fund size, sources and allocation

The GovTN will allocate the fund, from time to time, based on the surplus / net income distributed by Tamil Nadu Urban Development Fund to Government and requirement of technical assistance for sustained urban infrastructure development in the State. The amount will be provided by way of budgetary allocation, every year. The interest from investments and any other income earned or accruing to PPGF will also form part of its corpus and will be applied for the purposes for which the fund is created.

5. Eligibility Criteria

The Fund will finance the costs of technical assistance with respect to all projects and studies which may lead to up-gradation of the living standards of urban population and improvement in the service delivery to such population in the State of Tamil Nadu. The typical projects include water supply, sanitation and sewerage, roads, bridges and storm water drain, street lighting, solid waste management, and other remunerative and non-remunerative urban infrastructure projects.

The grant provision is available for all statutory and autonomous bodies, including Corporations, Municipalities, Town Panchayats, Statutory Boards, Government Departments and other forms of institutions owned / managed by Government. It is also available on a case-to-case basis to registered trusts, registered societies, academic and research institutions. However, grants will not be released directly to the applicants. Instead, the grant will be utilized to provide necessary technical assistance by utilizing the services of consultant(s), experts(s) or otherwise for carrying out the objectives specified in the guidelines.

6. Procedure for application and approval of grant

Applications for grant from the applicants shall be submitted to the fund manager, along with the approval of the competent authority (Council Resolution in the case of Town Panchayats / Municipalities / Corporations, Board Resolution in the case of Statutory Boards / Trusts / Societies and approval of the Head of the department / institutions in the case of others) as the case may be with the details regarding name of the project, rough cost estimate of project if available / applicable, background and need for technical assistance, objectives, scope of services required for the technical assistance, data and any other support to be provided by the project sponsors and institutional capacity to implement the project.

The fund manager would process the application and prepare a detailed appraisal about the requirement of the technical assistance, terms of reference for the proposed technical assistance and recommendation on the technical assistance sought.

A Committee, constituted by the Government of Tamil Nadu, will approve the grant provision for the required technical assistance based on the guidelines prescribed and the merits of the proposal.

Based on the approval of the Committee, the fund manager will appoint the competent consultant(s). Based on the progress and after due diligence, grant shall be disbursed, in one or more installments.

7. Procurement

The provisions of the Tamil Nadu Transparency in Tender Act, 1998 and Tamil Nadu Transparency in Tenders Rules, 2000 shall be applicable for procurement of services.

8. Disbursements

During the financial year 2010-11, a sum of ₹ 6.00 crores (previous year ₹ 5.06 crores) was released by GoTN as grant to Project Preparatory Grant Fund. A sum of ₹ 1.07 crores has been spent during the financial year 2010-11. The balance of grant fund available as on 31st March 2010 is ₹ 16.20 crores (previous year ₹ 11.27 crores)

9. Accounts and Audit

The Annual Accounts for the financial year 2010-11 have been audited by M/s.N.Raja & Associates, Chartered Accountants, Chennai.

AUDITORS' REPORT

TO THE FUND MANAGER OF PROJECT PREPARATORY GRANT FUND

We have audited the attached Balance Sheet of **Project Preparatory Grant Fund** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Management Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept as far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given
 - In case of the Balance Sheet, of the "state of affairs" of the Fund as at 31.03.2011 and
 - In case of the Income & Expenditure Account, of surplus of the funds for the year ended on that date.

For N. Raja & Associates
Chartered Accountants
Firm's Registration No. 003388S

Place : Chennai
Date : 29.06.2011

Sd/-
N. Raja
Partner
Membership No.022890

PROJECT PREPARATORY GRANT FUND
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31 MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
Sources of Funds			
Grant Fund	1	17,15,85,329	11,27,18,866
Total		17,15,85,329	11,27,18,866
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	13,11,33,979	6,63,09,040
Loans and Advances	3	4,06,08,992	4,64,23,062
		17,17,42,971	11,27,32,102
Less: Current Liabilities	4	1,57,642	13,236
Net Current Assets		17,15,85,329	11,27,18,866
Total		17,15,85,329	11,27,18,866
Notes on Accounts (Schedule 5)			

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached

For **N. Raja & Associates,**

Chartered Accountants

Firm Regn. No. 003388S

Sd/-

N. Raja

Partner

Membership No. 022890

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Project Preparatory Grant Fund)**

Place : Chennai

Date : 29.06.2011

PROJECT PREPARATORY GRANT FUND

(Grant fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	40,086	11,314
On Deposit Accounts	96,16,233	48,52,849
Total	96,56,319	48,64,163
Expenditure		
Management Fee	1,46,342	1,200
Audit Fee – Statutory Audit	13,236	13,236
Total	1,59,578	14,436
Excess of Income over Expenditure transferred to Grant Fund	94,96,741	48,49,727
Notes on Accounts (Schedule 5)		

Schedules referred above form an integral part of accounts

Vide our report of even date attached

For **N. Raja & Associates,**

Chartered Accountants

Firm Regn. No. 003388S

Sd/-

N. Raja

Partner

Membership No. 022890

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &

Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Project Preparatory Grant Fund)

Place : Chennai

Date : 29.06.2011

PROJECT PREPARATORY GRANT FUND

(Grant Fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	6,00,23,250	5,06,44,454
Interest Receipts	84,42,518	30,27,320
Other Receipts	1,44,406	36,24,645
Term Deposit with Companies	70,27,871	0
Total	7,56,38,045	5,72,96,419
Payments		
Disbursement to Consultants	1,06,53,528	22,753
Management Fee	1,46,342	14,436
Statutory Audit Fees	13,236	0
Term Deposit with Companies	0	4,43,91,100
Total	1,08,13,106	4,44,28,289
Surplus / Deficit for the year	6,48,24,939	1,28,68,130
Add: Opening Cash and Bank Balance	6,63,09,040	5,34,40,910
Closing Cash & Bank Balances	13,11,33,979	6,63,09,040

Vide our report of even date attached
For **N. Raja & Associates**,
Chartered Accountants
Firm Regn. No. 003388S

Sd/-
N. Raja
Partner
Membership No. 022890

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Project Preparatory Grant Fund)

Place : Chennai
Date : 29.06.2011

PROJECT PREPARATORY GRANT FUND
(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Grant Fund		
Balance at the beginning of the year	11,27,18,866	5,72,47,438
Add : Grant assistance received during the year	6,00,23,250	5,06,44,454
Excess of Income over Expenditure Carried from Income & Expenditure Account	94,96,741	48,49,727
	18,22,38,857	11,27,41,619
Less: Disbursement to consultants	1,06,53,528	22,753
Total	17,15,85,329	11,27,18,866
Schedule - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	1,14,782	2,09,040
in Term Deposit Account	13,10,19,197	6,61,00,000
Total	13,11,33,979	6,63,09,040
Schedule - 3		
Loans and Advances		
Accrued interest on Term Deposits	32,45,763	20,31,962
Term Deposits with Companies	3,73,63,229	4,43,91,100
Total	4,06,08,992	4,64,23,062
Schedule - 4		
Current Liabilities		
Audit Fee payable	13,236	13,236
Other Liabilities	1,44,406	0
Total	1,57,642	13,236

PROJECT PREPARATORY GRANT FUND
(Grant Fund of Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

SCHEDULE 5

Notes on Accounts for the year ended 31.03.2011

1. Nature of operation

The Project Preparatory Grant Fund is a technical assistance grant fund created by Government of Tamil Nadu to finance the cost of technical assistance for preparation of feasibility studies, detailed project report, implementation, project supervision & management, resource mobilization, seminar, conference, meetings, workshop and other means of public participation in formulation of policies and information dissemination.

2. Significant Accounting Policies

- a) **Financial Statements:** The financial statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
- b) **Grant Fund:** The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursements made to consultants and other eligible expenditure.
- c) **Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **N. Raja & Associates,**
Chartered Accountants
Firm Regn. No. 003388S

Sd/-
N. Raja
Partner
Membership No. 022890

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Project Preparatory Grant Fund)**

Place : Chennai
Date : 29.06.2011

TAMIL NADU URBAN ROAD INFRASTRUCTURE FUND

Report on the activities and Annual Accounts of Tamil Nadu Urban Road Infrastructure Fund for the Financial Year 2010 - 2011

1. Introduction

The Government of Tamil Nadu have created a non-lapsable fund in the name of Tamil Nadu Urban Road Infrastructure Fund (TURIF) vide G.O. Ms. No.235, Municipal Administration and Water Supply (MA-II) Department dated 27.11.2008 to implement Tamil Nadu Urban Road Infrastructure Project (TURIP) and prescribed the guidelines for operation of the fund. The objective of TURIP is to develop a sustainable urban road infrastructure to maintain the network of roads constructed under the project. During the financial year 2010-2011, the Government vide G.O. Ms. No.210, Municipal Administration & Water Supply (TP-2) Department, dated 09.09.2010 have ordered to implement the scheme called “ Special Roads Programme 2010-2011” and issued the revised guidelines vide G.O. Ms. No.290, Municipal Administration and Water Supply (MA-III) Department, dated 22.11.2010.

2. Objectives & features of the project

The objectives of TURIP are as follows:

- Develop a sustainable urban road infrastructure in Urban Local Bodies in a phased manner;
- Maintain the asset created under this project and
- Funding urban road infrastructure in Tamil Nadu through a dedicated non-lapsable fund, namely, the Tamil Nadu Urban Road Infrastructure Fund.

3. Fund Management

The TURIF is managed and operated by TNUIFSL based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as fund manager of TURIF.

4. Fund Size, sources and allocation

The fund will have multiple sources viz., a portion of the assigned revenue payable to Municipal Corporations and Municipalities on account of surcharge on stamp duty, a portion of devolution, proceeds from issue of bonds and other market borrowings, grants, repayments from borrowers of the fund and any other source as decided by the

Government, from time to time. The interest from investments and any other income earned or accruing to TURIF will also form part of its corpus and will be applied for the purposes for which the fund is created.

5. Eligibility Criteria

All Municipal Corporations and Municipalities in the State are eligible for funding under this project.

6. Project preparation and implementation

Initially, consultant(s) for Design, Supervision and Management for developing urban road infrastructure for the first phase of 11 towns (categorized into 6 packages based on the geographical proximity), which include Trichy, Tirunelveli, Madurai and Tiruppur Municipal Corporations, and Karur, Inam Karur, Alandur, Valsarawakkam, Mayiladuthurai, Kumbakonam, and Thanjavur Municipalities have been appointed at a consultancy fee of ₹ 18.05 crores (plus service tax at applicable rates). However, these consultancies have been terminated after completion of Draft Final Report. In the mean time, the Government have ordered to implement road projects under Special Roads Programme 2010-11 and utilize funds available under TURIF.

7. Procurement procedures

Procurement of works, goods & services under this project, shall follow Tamil Nadu Transparency in Tenders Act, 1998.

8. Performance

During the financial year 2010-2011, a sum of ₹ 904.61 crores (previous year ₹ 147 crores) has been released by Government to TURIF. A sum of ₹ 3.41 crores has been disbursed to consultants (previous year ₹ 1.34 crores) and a sum of ₹ 1055.15 crores has been disbursed to Urban Local Bodies and Town Panchayats as grant for implementation of Special Roads Programme 2010-2011.

9. Accounts and Audit

The Annual Accounts for the financial year 2010-11 is under by M/s.Anand & Ponnappan, Chartered Accountants, Chennai – 600 017.

**AUDITORS' REPORT
TO THE FUND MANAGER OF TAMIL NADU URBAN ROAD
INFRASTRUCTURE FUND**

We have audited the attached financial statement of **Tamil Nadu Urban Road Infrastructure Fund** managed by Tamil Nadu Urban Infrastructure Financial Services Limited, as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept so far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given
 - In case of the Balance Sheet, of the state of affairs of the **Tamil Nadu Urban Road Infrastructure Fund** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of Surplus** of the funds for the year ended on that date.

For Anand & Ponnappan
Chartered Accountants
Firm's Registration No. 000111S

Sd/-

R.Ponnappan

Membership No.021695

Partner

Place : Chennai
Date : 29.06.2011

TAMIL NADU URBAN ROAD INFRASTRUCTURE FUND
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31 MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
SOURCES OF FUND			
Grant Fund	1	23,26,28,483	156,96,44,825
Total		23,26,28,483	156,96,44,825
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	62,64,302	130,02,25,650
Loan and advances	3	22,63,77,417	26,94,32,411
		23,26,41,719	156,96,58,061
Less: Current Liabilities	4	13,236	13,236
Net Current Assets		23,26,28,483	156,96,44,825
Total		23,26,28,483	156,96,44,825
Notes on Accounts (Schedule 5)			

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached

For **Anand & Ponnappan**

Chartered Accountants

Firm Regn. No. 000111S

Sd/-

R. Ponnappan

Partner

Membership No. 021695

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Tamil Nadu Urban Road Infrastructure Fund)**

Place : Chennai

Date : 29.06.2011

TAMIL NADU URBAN ROAD INFRASTRUCTURE FUND
(Grant Fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	34,04,236	54,576
On Deposit Accounts	19,94,10,558	11,30,68,373
Total	20,28,14,794	11,31,22,949
Expenditure		
Management Fee	2,82,542	1,10,474
Audit Fee – Statutory Audit	13,236	13,236
Total	2,95,778	1,23,710
Excess of Income over Expenditure transferred to Grant Fund	20,25,19,016	11,29,99,239
Notes on Accounts (Schedule - 5)		

Schedules referred above form an integral part of accounts

Vide our report of even date attached

For **Anand & Ponnappan**

Chartered Accountants

Firm Regn. No. 000111S

Sd/-

R. Ponnappan

Partner

Membership No. 021695

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &

Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Tamil Nadu Urban Road Infrastructure Fund)**

Place : Chennai

Date : 29.06.2011

TAMIL NADU URBAN ROAD INFRASTRUCTURE FUND

(Grant fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	904,61,00,000	147,00,00,000
Interest Receipts	29,40,97,788	40,90,538
Total	934,01,97,788	147,40,90,538
Payments		
Disbursements to ULBs	1055,14,77,824	0
Disbursements to Consultants	3,41,57,534	1,33,54,414
Management Fee	2,82,542	1,10,474
Statutory Audit Fees	13,236	0
Term Deposit with Companies	4,82,28,000	16,04,00,000
Total	1063,41,59,136	17,38,64,888
Surplus / Deficit for the year	(129,39,61,348)	130,02,25,650
Add: Opening Cash and Bank Balance	130,02,25,650	0
Closing Cash & Bank Balances	62,64,302	130,02,25,650

Vide our report of even date attached

For **Anand & Ponnappan**

Chartered Accountants

Firm Regn. No. 000111S

Sd/-

R. Ponnappan

Partner

Membership No. 021695

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Tamil Nadu Urban Road Infrastructure Fund)**

Place : Chennai

Date : 29.06.2011

TAMIL NADU URBAN ROAD INFRASTRUCTURE FUND
(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Grant Fund		
Balance at the beginning of the year	156,96,44,825	0
Add : Grant assistance received during the year	904,61,00,000	147,00,00,000
Excess of Income over Expenditure	20,25,19,016	11,29,99,239
	1081,82,63,841	158,29,99,239
Less : Disbursements to ULBs	1055,14,77,824	0
Disbursements to consultants	3,41,57,534	1,33,54,414
Total	23,26,28,483	156,96,44,825
SCHEDULE - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	64,302	2,98,801
in Term Deposit Account	62,00,000	129,99,26,849
Total	62,64,302	130,02,25,650
SCHEDULE - 3		
Loans and advances		
Accrued interest on Term Deposits	1,77,49,417	10,90,32,411
Term Deposit with Companies	20,86,28,000	16,04,00,000
Total	22,63,77,417	26,94,32,411
SCHEDULE - 4		
Current Liabilities		
Audit Fee payable	13,236	13,236
Total	13,236	13,236

TAMIL NADU URBAN ROAD INFRASTRUCTURE FUND
(Grant fund of Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

SCHEDULE 5

Notes on Accounts for the year ended 31.03.2011

1. Nature of operation

The Government of Tamil Nadu has created a non-lapsable fund in the name of Tamil Nadu Urban Road Infrastructure Fund (TURIF) to implement Tamil Nadu Road Urban Infrastructure Project (TURIP). The objective of TURIP is to develop and maintain a sustainable urban road infrastructure in the urban local bodies. The fund is managed by Tamil Nadu Urban Infrastructure Financial Services Limited.

2. Significant Accounting Policies

- a) **Financial Statements:** The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
- b) **Grant Fund:** The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursements made towards grant and other eligible expenditure.
- c) **Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **Anand & Ponnappan**
Chartered Accountants
Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
Tamil Nadu Urban Road Infrastructure Fund)**

Place : Chennai
Date : 29.06.2011

JBIC Grant Fund - I
Report on the activities and Annual Accounts of
JBIC Grant Fund - I for the FY 2010 - 2011

1. Introduction

The Government of Tamil Nadu (GoTN) vide G.O. 2D. No.112, Municipal Administration & Water Supply (MA-II) Department, dated 06.08.2008 issued administrative approval for implementation of Tamil Nadu Urban Infrastructure Project (TNUIP) assisted by JBIC (now it is JICA) at a cost of JPY 9824 Million (about ₹ 344.70 crores). The GoTN further approved that JPY 2422 Million (about Rs.84.98 crores) will be passed on to JBIC Grant Fund - I (JBIC GF - I). Also, the GoTN vide G.O. Ms. No.210, Municipal Administration & Water Supply (MA-II) Department, dated 23.10.2008 prescribed guidelines for operation and management of JBIC GF - I.

2. Objectives

The JBIC Grant Fund - I is a capital grant fund and will be used to assist Urban Local Bodies (ULBs) towards,

- Providing capital grant to the urban infrastructure projects financed under JBIC line of credit, which are directly benefit the urban low income population.
- Providing project viability gap fund for the sub-projects, financed under JBIC line of credit.

3. Fund Management

The JBIC GF - I is managed and operated by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as fund manager of JBIC GF-I.

4. Fund Size, sources and allocation

The JBIC GF - I is part of TNUIP Program assisted by JICA. A sum of ₹ 102.73 crores (including a sum of ₹ 17.75 crores to be converted as grant from loan) will be passed on to JBIC GF - I. The amount will be provided by the Government by way of budgetary allocation, every year. The interest from investments and any other income earned or accruing to Fund will also form part of its corpus and will be applied for the purposes for which the Fund is created.

5. Eligibility Criteria

5.1. Eligibility

The financial assistance under the JBIC GF -I will be subject to the following conditions :

- more than 20% of project beneficiaries shall be the people living below the poverty line.
- 80% of property tax should have been collected in the past three years prior to the project investment year.
- the urban local body should have repaid all loan dues for two years prior to the project investment year.

5.2. Eligible Projects

The water supply and sanitation & sewerage projects implemented by ULBs with the objective to provide safe and reliable water supply and sewerage services thereby contributing to improvement of living conditions of local residents in the concerned areas are eligible for financial assistance.

5.3. Eligible Grant Applicants

All ULBs in the State of Tamil Nadu are eligible for financial assistance.

5.4. Eligible Amount

The maximum capital grant for water supply sub-projects shall not exceed 20% of the project cost and maximum capital grant for sanitation & sewerage sub-projects shall not exceed 40% of the project cost. However, the Empowered Committee, constituted by the Government, will have the flexibility to decide upon the exact capital grant portion to be extended to sub-projects based on assessment of financial viability of the sub-project and the financial strength of the respective ULB.

6. Procedure for application and approval of grant

6.1 Application for grant

Application from the ULB for capital grant shall be submitted through Commissionerate of Municipal Administration / Commissionerate of Town Panchayats to the fund manager, with the following :

(a) Council Resolution

The ULBs shall submit the Council Resolution for execution of the project and availing the capital grant under JBIC GF-I.

(b) Detailed Project Report

The application for grant should contain a detailed report of the project covering the subjects including suitability of site; availability of inputs; appropriateness, of a proven experience with the technology offered; project design; arrangements for detailed engineering; cost estimates; construction and procurement arrangements; arrangements for operation and maintenance; arrangements for compliance with environmental, resettlement and social standard as stipulated by the Government from time to time, in consistence with the Environmental and Social Framework as applicable, adequacy of the proposed financing and the eligibility criteria.

(c) Details of below poverty line population

In case of the projects which directly benefit the urban low-income population, the justification for the use of the Grant Fund should be substantiated in the grant proposal by indicating the numbers of targeted urban low-income population and specific project areas and expected impact on the improvement of the living standard of the targeted population.

6.2 Appraisal of the grant application and the project

While appraising the grant fund application, it shall be ensured that

- The purpose of grant meets the objectives as prescribed in the JBIC GF-I guidelines;
- The project uses the most appropriate process and cost effective technology and technical specifications;
- The project is adequately funded;
- The ULBs demonstrates financial and institutional capacity to operate and maintain the facilities constructed;
- The project meets the requirements stipulated in the Environment and Social Framework, as applicable.

6.3 Approval by the Empowered Committee

Based on the appraisal, a detailed appraisal report shall be placed before the Empowered Committee, constituted by the Government for necessary approval. The Empowered will sanction and finalize the means of finance including the quantum of capital grants and accord administrative sanction for the sub-projects to be funded under TNUIP.

6.4 Disbursement of Grant

Based on the approval of the Empowered Committee, the fund manager shall intimate the amount of capital grant sanctioned and prescribe conditions as may be required for proper utilization of grant for the implementation of the sub-projects funded under TNUIP. Based on the progress of work, the grant shall be disbursed to ULBs, in one or more installments.

7. Procurement procedures

The sub-projects to be financed under the JBIC Grant Fund-I shall follow the Tamil Nadu Transparency in Tenders Act 1998, as amended, from time to time.

8. Performance

The funds have been committed for six water supply projects amounting to ₹ 102.73 crores. A sum of ₹ 9.89 crores (previous year ₹ 14.76 crores) has been disbursed to the ULBs during the financial year 2010-11 based on the progress of the project. The details of funds committed and amount disbursed up to 31.03.2011 are furnished below:

(₹ in crores)

Sl. No.	Name of the ULB	Sector	Sanctioned	Disbursed
1	Trichy Corporation	Water Supply	66.43	24.65
2	Madhavaram	Water Supply	16.50	0.00
3	Palani	Water Supply	6.48	0.00
4	Coonoor	Water Supply	4.16	0.00
5	Idappadi	Water Supply	6.67	0.00
6	Devakottai	Water Supply	2.49	0.00
	TOTAL		102.73	24.65

9. Accounts and Audit

The Annual Accounts for the financial year 2010-2011 have been audited by M/s. S. Sonny Associates, Chartered Accountants, Chennai – 600 041.

AUDITORS' REPORT
TO THE FUND MANAGER OF JBIC GRANT FUND I

We have audited the attached financial statement of **JBIC Grant Fund I** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account, Income & Expenditure Account and Balance Sheet for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept so far as it appears from our examination of such books.
- (c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- (d) The Balance Sheet, the Income & Expenditure Account and the Receipts & Payments Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- (e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given
 - In case of the Balance Sheet, of the state of affairs of the **JBIC Grant Fund-I** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of Deficit** of the funds for the year ended on that date.

For **M/s. S. Sonny & Associates**
Chartered Accountants
Firm's Registration No. 003935S

Sd/-

S. Sundar

Membership No. 023425

Partner

Place : Chennai

Date : 29.06.2011

JBIC GRANT FUND - I
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31st MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
SOURCES OF FUND			
Grant Fund	1	10,52,86,885	20,48,39,284
Total		10,52,86,885	20,48,39,284
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	10,52,81,518	20,48,49,600
Loans and Advances	3	18,603	2,920
		10,53,00,121	20,48,52,520
Less: Current Liabilities	4	13,236	13,236
Net Current Assets		10,52,86,885	20,48,39,284
Total		10,52,86,885	20,48,39,284
Notes on Accounts (Schedule - 5)			

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached
For **S. Sonny & Associates**
Chartered Accountants
Firm Regn. No. 003935S

Sd/-
S. Sundar
Partner
Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - I)**

Place : Chennai
Date : 29.06.2011

JBIC GRANT FUND - I

(Grant fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	40,974	65,848
On Deposit Accounts	4,10,730	14,700
Total	4,51,704	80,548
Expenditure		
Management Fee	10,90,867	16,28,028
Audit Fee – Statutory Audit	13,236	13,236
Total	11,04,103	16,41,264
Excess of Expenditure over Income transferred to Grant Fund	(6,52,399)	(15,60,716)
Notes on Accounts (Schedule - 5)		

Schedules referred to above form an integral part of accounts

Vide our report of even date attached

For **S. Sonny & Associates**

Chartered Accountants

Firm Regn. No. 003935S

Sd/-

S. Sundar

Partner

Membership No. 023425

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - I)**

Place : Chennai

Date : 29.06.2011

JBIC GRANT FUND - I

(Grant Fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	0	35,40,00,000
Interest Receipts	4,36,021	77,628
Total	4,36,021	35,40,77,628
Payments		
Disbursement to Urban Local Bodies	9,89,00,000	14,76,00,000
Management Fee	10,90,867	16,28,028
Statutory Audit Fees	13,236	0
Total	10,00,04,103	14,92,28,028
Surplus / Deficit for the year	(9,95,68,082)	20,48,49,600
Add: Opening Cash and Bank Balance	20,48,49,600	0
Closing Cash & Bank Balances	10,52,81,518	20,48,49,600

Vide our report of even date attached
For **S. Sonny & Associates**
Chartered Accountants
Firm Regn. No. 003935S

Sd/-
S. Sundar
Partner
Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - I)**

Place : Chennai
Date : 29.06.2011

JBIC GRANT FUND - I

(Grant fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st March 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Grant Fund		
Balance at the beginning of the year	20,48,39,284	0
Grant assistance received during the year	0	35,40,00,000
	20,48,39,284	35,40,00,000
Less: Disbursement to ULBs during the period	9,89,00,000	14,76,00,000
Excess of Expenditure over Income transferred from Income & Expenditure Account	6,52,399	15,60,716
Total	10,52,86,885	20,48,39,284
SCHEDULE - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	49,272	1,49,600
in Term Deposit Account	12,32,246	7,00,000
in Public Deposit Account	10,40,00,000	20,40,00,000
Total	10,52,81,518	20,48,49,600
SCHEDULE - 3		
Loans and advances		
Accrued interest on Term Deposits	18,603	2,920
Total	18,603	2,920
SCHEDULE - 4		
Current Liabilities		
Audit Fee payable	13,236	13,236
Total	13,236	13,236

JBIC GRANT FUND - I
(Grant fund of Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

SCHEDULE 5

Notes on Accounts for the year ended 31.03.2011

1. Nature of operation

The JBIC Grant Fund I is a capital grant fund created by Government of Tamil Nadu to assist urban local bodies for providing capital grant and project viability gap fund to implement urban infrastructure projects financed under JBIC line of credit.

2. Significant Accounting Policies

- a) Financial Statements:** The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
- b) Grant Fund:** The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursements made towards capital grant & project viability gap fund and other eligible expenditure.
- c) Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the Fund Manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **S. Sonny & Associates**
Chartered Accountants
Firm Regn. No. 003935S

Sd/-
S. Sundar
Partner
Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - I)**

Place : Chennai
Date : 29.06.2011

JBIC GRANT FUND - II

Report on the activities and Annual Accounts of JBIC Grant Fund – II for the FY 2010 - 2011

1. Introduction

The Government of Tamil Nadu (GoTN) G.O. (2D). No.112, Municipal Administration & Water Supply (MA-II) Department, dated 06.08.2008 issued administrative approval for implementation of Tamil Nadu Urban Infrastructure Project (TNUIP) assisted by JBIC (now it is JICA) at a cost of JPY 9824 Million (about ₹ 344.70 crores). The Government further approved that JPY 479 Million (about ₹ 16.81 crores) will be passed on to JBIC Grant Fund-II (JBIC GF-II). Also, the GoTN vide G.O. Ms. No.126, Municipal Administration & Water Supply (MA-II) Department, dated 09.07.2010 prescribed guidelines for operation and management of JBIC GF-II.

2. Objectives

The JBIC Grant Fund – II is a technical assistance grant and will be used to support the sub-projects to be funded under TNUIP towards Project Management Consultancy, Quality Assurance Consultancy and Environmental Management Consultancy.

3. Fund Management

The JBIC Grant Fund -II is managed and operated by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as fund manager of JBIC GF-II. However, orders of the Government prescribing the guidelines for operation & management for the Fund are awaited.

4. Fund Size, sources and allocation

The JBIC GF-II is part of TNUIP Program assisted by JICA. A sum of ₹ 16.81 crores will be passed on to JBIC GF - II. The amount will be provided by the Government by way of budgetary allocation, every year. The interest from investments and any other income earned or accruing to Fund will also form part of its corpus and will be applied for the purposes for which the Fund is created.

5. Eligibility Criteria

5.1 Eligible Projects

The JBIC Grant Fund-II will finance the cost of technical assistance towards Sub-project Management Consultancy, Quality Assurance Consultancy as Lenders' Engineer and Environmental Management Consultancy to ensure compliance with Environment & Social Framework in respect of the water supply projects and the sanitation and sewerage project implemented by ULBs or other agencies on behalf of ULBs, with the objective of up-gradation of the living standards of urban population and improvements in the service delivery to such population in the State of Tamil Nadu.

5.2 Eligible Grant Applicants

All ULBs in the State of Tamil Nadu where urban infrastructure projects are funded under TNUIP are eligible for financial assistance.

6. Procedure for application and approval of Grant

6.1 Application for Grant

Application from the ULB for technical assistance grant shall be submitted through Commissionerate of Municipal Administration / Commissionerate of Town Panchayats, to the fund manager, with the following:

a. Council Resolution

The ULB shall submit a Council Resolution for the required technical assistance and availing the grant under JBIC Grant Fund-II.

b. Scope of Technical Assistance

The application from ULBs for technical assistance should contain the details name of the project, detailed cost estimate of project, background and need for technical assistance, objectives of the required technical assistance, scope of services required for the technical assistance, data and any other support to be provided by the ULBs, institutional capacity to implement the system and other details to justify the requirement of technical assistance, and a copy of detailed project report of the proposed project for which technical assistance is sought.

c. Details of below poverty line population

In case of the projects which directly benefit the urban low-income population, the justification for the use of the Grant Fund should be substantiated in the grant proposal by indicating the numbers of targeted-urban low-income population and specific project areas and expected impact on the improvement of the living standard of the targeted population.

6.2 Appraisal of the grant application and the project

The fund manager would process the application and prepare a detailed appraisal about the requirement of the technical assistance, terms of reference for the proposed technical assistance and recommendation on the technical assistance sought.

6.3 Approval by the JBIC GF-II Committee

Based on the appraisal, a detailed appraisal report shall be placed before the JBIC GF-II Committee, for necessary approval. The Committee will approve the grant provision for the required technical assistance based on the guidelines prescribed, recommendations of the fund manager and on the merits of the proposal.

6.4 Disbursement of Grant

Based on the approval of the Committee, the fund manager will appoint the competent consultant(s). Based on the progress of work and after due diligence, the grant shall be disbursed to the respective consultants, in one or more installments.

7. Procurement Procedures:

The Tamil Nadu Transparency in Tenders Act, 1998, amended up to date or procurement procedures as prescribed by JBIC, as the case may be, shall be applicable for the appointment of consultants.

8. Performance

A sum of ₹ 77.17 lakhs (previous year ₹ 52.44 lakhs) has been disbursed during the financial year 2010-2011 towards project management consultancy services for implementation of water supply scheme in Trichy Corporation.

9. Accounts and Audit

The Annual Accounts for the financial year 2010-2011 have been audited by M/s.S. Sonny Associates, Chartered Accountants, Chennai – 600 041.

AUDITORS' REPORT
TO THE FUND MANAGER OF JBIC GRANT FUND II

We have audited the attached financial statement of **JBIC Grant Fund II** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account, Income & Expenditure Account and the Balance Sheet for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept so far as it appears from our examination of such books.
- (c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- (d) The Balance Sheet, the Income & Expenditure Account and the Receipts and Payments Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- (e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given.
 - In case of the Balance Sheet, of the state of affairs of the **JBIC Grant Fund-II** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of Surplus** of the funds for the year ended on that date.

For M/s. **S. Sonny & Associates**
Chartered Accountants
Firm's Registration No. 003935S

Sd/-

S. Sundar

Memb.No.023425

Partner

Place : Chennai

Date : 29.06.2011

JBIC GRANT FUND - II
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31st MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
SOURCES OF FUND			
Grant Fund	1	1,71,59,124	2,48,46,498
Total		1,71,59,124	2,48,46,498
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	1,71,68,713	2,48,56,037
Loan and Advances	3	3,647	3,697
		1,71,72,360	2,48,59,734
Less: Current Liabilities	4	13,236	13,236
Net Current Assets		1,71,59,124	2,48,46,498
Total		1,71,59,124	2,48,46,498
Notes on Accounts (Schedule - 5)			

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached

For **S. Sonny & Associates**

Chartered Accountants

Firm Regn. No. 003935S

Sd/-
S. Sundar
 Partner
 Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
 Director

Sd/-
Anita Praveen, IAS
 Chairperson &
 Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
 Limited - Fund Manager of JBIC Grant Fund - II)**

Place : Chennai

Date : 29.06.2011

JBIC GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	45,653	7,671
On Deposit Accounts	1,39,428	96,032
Total	1,85,081	1,03,703
Expenditure		
Management Fee	1,41,914	0
Audit Fee – Statutory Audit	13,236	13,236
Total	1,55,150	13,236
Excess of Income over Expenditure transferred to Grant Fund	29,931	90,467
Notes on Accounts (Schedule - 5)		

Schedules referred to above form an integral part of accounts

Vide our report of even date attached
For **S. Sonny & Associates**
Chartered Accountants
Firm Regn. No. 003935S

Sd/-
S. Sundar
Partner
Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - II)

Place : Chennai
Date : 29.06.2011

JBIC GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	0	3,00,00,000
Interest Receipts	1,85,131	1,00,006
Total	1,85,131	3,01,00,006
Payments		
Disbursement to Consultant	77,17,305	52,43,969
Management Fee	1,41,914	0
Statutory Audit Fees	13,236	0
Total	78,72,455	52,43,969
Surplus / Deficit for the year	(76,87,324)	2,48,56,037
Add: Opening Cash and Bank Balance	2,48,56,037	0
Closing Cash & Bank Balances	1,71,68,713	2,48,56,037

Vide our report of even date attached
For **S. Sonny & Associates**
Chartered Accountants
Firm Regn. No. 003935S

Sd/-
S. Sundar
Partner
Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - II)

Place : Chennai
Date : 29.06.2011

JBIC GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Grant Fund		
Balance at the beginning of the year	2,48,46,498	0
Add : Grant assistance received during the year	0	3,00,00,000
Excess of Income over Expenditure carried from Income & Expenditure Account	29,931	90,467
	2,48,76,429	3,00,90,467
Less: Disbursements to consultants during the year	77,17,305	52,43,969
Total	1,71,59,124	2,48,46,498
SCHEDULE - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	68,713	2,56,037
in Term Deposit Account	11,00,000	26,00,000
in Public Deposit Account	1,60,00,000	2,20,00,000
Total	1,71,68,713	2,48,56,037
SCHEDULE - 3		
Loans and advances		
Accrued interest on Term Deposits	3,647	3,697
Total	3,647	3,697
SCHEDULE - 4		
Current Liabilities		
Audit Fee payable	13,236	13,236
Total	13,236	13,236

JBIC GRANT FUND - II
(Grant fund of Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

SCHEDULE 5

Notes on Accounts for the year ended 31.03.2011

1. Nature of operation

The JBIC Grant Fund II is a technical assistance grant fund created by Government of Tamil Nadu towards Project Management Consultancy, Quality Assurance Consultancy and Environmental Management Consultancy for urban infrastructure projects financed under JBIC line of credit.

2. Significant Accounting Policies

- a) **Financial Statements:** The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
- b) **Grant Fund:** The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursements made to consultants and other eligible expenditure.
- c) **Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the Fund Manager.

3. Previous year figures have been regrouped wherever necessary.

Signatures to Schedules 1 to 5

Vide our report of even date attached
For **S. Sonny & Associates**
Chartered Accountants
Firm Regn. No. 003935S

Sd/-
S. Sundar
Partner
Membership No. 023425

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of JBIC Grant Fund - II)**

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - I

Report on the activities and Annual Accounts of KfW Grant Fund – I for the FY 2010 - 2011

1. Introduction

The Government of Tamil Nadu (GoTN) vide G.O. Ms. No.218, Municipal Administration & Water Supply (MA-II) Department, dated 03.11.2008 issued administrative approval for implementation of Sustainable Municipal Infrastructure Financing – Tamil Nadu (SMIF-TN) program assisted by KfW, German Financing Agency, at a cost of Euro 77 Million (about ₹ 500 crores) of which Euro 19.50 Million (about ₹ 127.00 crores) will be passed on to KfW Grant Fund-I (KfW GF-I). Further, Government vide GO Ms. No.50, MA & WS (MA-II) Department, dated 22.2.2011 ordered to increase amount to Euro 23.22 Million (about ₹ 150.80 crores). Also, the GoTN vide G.O. Ms. No.40, MA & WS (MA-II) Department, dated 19.03.2009 prescribed guidelines for operation and management of KfW GF-I.

2. Objectives

The KfW GF-I is a capital grant fund and will be used to assist Urban Local Bodies (ULBs) towards,

- i. Providing capital grant to the urban infrastructure projects financed under KfW line of credit, which directly benefit the urban low income population.
- ii. Providing project viability gap fund for the sub-projects, financed under KfW line of credit.

3. Fund Management

The KfW GF-I is managed and operated by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as fund manager of KfW GF-I.

4. Fund Size, sources and allocation

The KfW GF-I is part of SMIF-TN Program assisted by KfW. A sum of ₹ 150.80 crores will be passed on to KfW GF - I. The amount will be provided by the Government by way of budgetary allocation, every year. The interest from investments and any other income earned or accruing to Fund will also form part of its corpus and will be applied for the purposes for which the Fund is created.

5. Eligibility Criteria

5.1. Eligibility

The financial assistance under the KfW GF -I will be subject to the following conditions:

- more than 20% of project beneficiaries shall be the people living below the poverty line.
- 80% of property tax should have been collected in the past three years prior to the project investment year.
- the urban local body should have repaid all loan dues for two years prior to the project investment year.

5.2. Eligible Projects

The water supply, sanitation & sewerage, municipal solid waste disposal, storm water drainage, urban transport infrastructure like rail over bridge, rail under bridge implemented by ULBs, with the objective of up-gradation of the living standards of urban population and improvements in the service delivery to such population in the State of Tamil Nadu or such other urban infrastructure projects as may be approved by the Government from time to time are eligible for financial assistance.

5.3. Eligible Grant Applicants

All ULBs in the State of Tamil Nadu are eligible for financial assistance.

5.4. Eligible Amount

The Empowered Committee, constituted by the Government will have the flexibility to decide upon the exact capital grant portion to be extended to sub- projects based on assessment of financial viability of the sub-project and the financial strength of the respective ULB.

6. Procedure for application and approval of grant

6.1 Application for grant

Application from the ULB for capital grant shall be submitted through Commissionerate of Municipal Administration / Commissionerate of Town Panchayats to the fund manager, with the following :

(a) Council Resolution

The ULBs shall submit the Council Resolution for execution of the project and availing the capital grant under KfW GF-I.

(b) Detailed Project Report

The application for grant should contain a detailed report of the project covering the subjects including: suitability of site; availability of inputs; appropriateness, of a proven experience with the technology offered; project design; arrangements for detailed engineering; cost estimates; construction and procurement arrangements; arrangements for operation and maintenance; arrangements for compliance with environmental, resettlement and social standard as stipulated by the Government from time to time, in consistence with the Environmental and Social Framework as applicable, adequacy of the proposed financing and the eligibility criteria.

(c) Details of below poverty line population

In case of the projects which directly benefit the urban low-income population, the justification for the use of the Grant Fund should be substantiated in the grant proposal by indicating the numbers of targeted urban low-income population and specific project areas and expected impact on the improvement of the living standard of the targeted population.

6.2 Appraisal of the grant application and the project

While appraising the grant fund application, it shall be ensured that

- The purpose of grant meets the objectives as prescribed in the KfW GF-I guidelines;
- The project uses the most appropriate process and cost effective technology and technical specifications;
- The project is adequately funded;
- The ULBs demonstrates financial and institutional capacity to operate and maintain the facilities constructed;
- The project meets the requirements stipulated in the Environment and Social Framework, as applicable.

6.3 Approval by the Empowered Committee

Based on the appraisal, a detailed appraisal report shall be placed before the Empowered Committee, constituted by the Government for necessary approval. The Empowered Committee will sanction and finalize the means of finance including the quantum of capital grants and accord administrative sanction for the sub-projects to be funded under SMIF – TN Program.

6.4 Disbursement of Grant

Based on the approval of the Empowered Committee, the fund manager shall intimate the amount of capital grant sanctioned and prescribe conditions as may be required for proper utilization of grant for the implementation of the sub-projects funded under SMIF-TN Program. Based on the

progress of work, the grant shall be disbursed to ULBs, in one or more installments.

7. Procurement procedures

Procurement for the projects shall be subject to the procurement guidelines prescribed by International Bank for Reconstruction and Development or KfW. These guidelines may be complemented by the Tamil Nadu Transparency in Tenders Act.

8. Performance

The funds have been committed for 14 sub-projects under KfW assisted SMIF-TN, of which capital grant has been sanctioned for 13 sub-projects amounting to ₹ 150.80 crores. A sum of ₹ 15.00 crores only (previous year ₹ 39.00 crores) has been released by Government to KfW GF I during the financial year 2010-11. A sum of ₹ 20.27 crores (previous year ₹ 33.24 crores) has been disbursed to the ULBs during the financial year 2010-11 based on the progress of the project. The details of funds committed and amount disbursed up to 31.03.2011 are furnished below:

Sl.no	Name of the ULB	Sector	₹ in crores	
			Sanctioned	Disbursed
1	Erode Corporation	UGSS	62.77	21.51
2	Tirunelveli Corporation	Water Supply	6.66	3.96
3	Tiruchy Corporation	Roads & SWD	5.00	4.35
4	Tiruppur Corporation	Storm Water Drains	10.00	8.79
5	Villupuram Municipality	UGSS	15.77	14.15
6	Panruti Municipality	Roads, SWD	1.00	0.75
7	Tiruvannamalai	Water Supply	11.00	0
8	Kadayanallur	Water Supply	6.42	0
9	Inam Karur	Water Supply	5.57	0
10	Pallipalayam	Water Supply	3.50	0
11	Ooty	Water Supply	8.16	0
12	Karur	Water Supply	7.40	0
13	Thanthoni	Water Supply	7.55	0
Total			150.80	53.51

9. Accounts and Audit

The Annual Accounts for the financial year 2010 - 2011 have been audited by M/s.Anand & Ponnappan, Chartered Accountants, Chennai – 600 017.

AUDITORS' REPORT
TO THE FUND MANAGER OF KfW GRANT FUND I

We have audited the attached financial statement of **KfW Grant Fund I** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept so far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given
 - In case of the Balance Sheet, of the state of affairs of **the KfW Grant Fund-I** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of Deficit** of the funds for the year ended on that date.

For **Anand & Ponnappan**
Chartered Accountants
Firm's Registration No. 000111S

Sd/-

R.Ponnappan
Partner

Membership No. 021695

Place : Chennai
Date : 29.06.2011

KfW GRANT FUND - I
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31st MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
Sources of Fund			
Grant Fund	1	17,59,513	5,59,72,672
Total		17,59,513	5,59,72,672
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	17,32,373	5,57,62,238
Loans and advances	3	40,376	2,23,670
		17,72,749	5,59,85,908
Less: Current Liabilities	4	13,236	13,236
Net Current Assets		17,59,513	5,59,72,672
Total		17,59,513	5,59,72,672
Notes on Accounts - Schedule 5			

Schedules referred above form an integral part of the Accounts

Vide our report of even date attached
For **Anand & Ponnappan**
Chartered Accountants
Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of KfW Grant Fund - I)**

Place : Chennai
Date : 29.06.2011

KfW GRANT FUND - I

(Grant Fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	1,09,747	8,361
On Deposit Accounts	6,26,111	20,64,140
Total	7,35,858	20,72,501
Expenditure		
Management Fee	22,35,781	36,66,593
Audit Fee – Statutory Audit	13,236	13,236
Total	22,49,017	36,79,829
Excess of Expenditure over Income transferred to Grant Fund	(15,13,159)	(16,07,328)
Notes on Accounts - Schedule 5		

Schedules referred to above form an integral part of accounts

Vide our report of even date attached

For **Anand & Ponnappan**

Chartered Accountants

Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of KfW Grant Fund - I)

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - I

(Grant Fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	15,00,00,000	39,00,00,000
Interest Receipts	9,19,152	18,48,831
Total	15,09,19,152	39,18,48,831
Payments		
Disbursement to Urban Local Bodies	20,27,00,000	33,24,20,000
Management Fee	22,35,781	36,66,593
Statutory Audit Fees	13,236	0
Total	20,49,49,017	33,60,86,593
Surplus / Deficit for the year	(5,40,29,865)	5,57,62,238
Add: Opening Cash and Bank Balance	5,57,62,238	0
Closing Cash & Bank Balances	17,32,373	5,57,62,238

Vide our report of even date attached

For **Anand & Ponnappan**

Chartered Accountants

Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of KfW Grant Fund - I)

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - I

(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
SCHEDULE - 1		
Grant Fund		
Balance at the beginning of the year	5,59,72,672	0
Grant assistance received during the year	15,00,00,000	39,00,00,000
	20,59,72,672	39,00,00,000
Less: Disbursement to ULBs during the year	20,27,00,000	33,24,20,000
Excess of Expenditure over Income transferred from Income & Expenditure Account	15,13,159	16,07,328
Total	17,59,513	5,59,72,672
Schedule - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	1,42,738	2,42,604
in Term Deposit Account	15,89,635	5,55,19,634
Total	17,32,373	5,57,62,238
Schedule - 3		
Loans and advances		
Accrued interest on Term Deposits	40,376	2,23,670
Total	40,376	2,23,670
Schedule - 4		
Current Liabilities		
Audit Fee payable	13,236	13,236
Total	13,236	13,236

KfW GRANT FUND - I
(Grant fund of Government of Tamil Nadu)

Schedules forming part of the Accounts for the year ended 31st March 2011

SCHEDULE 5

Notes on Accounts for the year ended 31.03.2011

1) Nature of operation

The KfW Grant Fund I is created by Government of Tamil Nadu to assist urban local bodies for providing capital grant and project viability gap fund to implement urban infrastructure projects financed under KfW line of credit.

2) Significant Accounting Policies

- a) Financial Statements :** The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
- b) Grant Fund:** The balance in Grant Fund represents funds received from the Government of Tamil Nadu, after making adjustment for interest & other income accrued to the fund, disbursements made towards capital grant & project viability gap fund and other eligible expenditure.
- c) Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **Anand & Ponnappan**
Chartered Accountants
Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of KfW Grant Fund - I)**

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - II

Report on the activities and Annual Accounts of KfW Grant Fund – II for the FY 2010 - 2011

1. Introduction

The Government of Tamil Nadu (GoTN) vide G.O. Ms. No.218, Municipal Administration & Water Supply (MA-II) Department, dated 03.11.2008 issued administrative approval for implementation of Sustainable Municipal Infrastructure Financing – Tamil Nadu (SMIF-TN) program assisted by KfW at a cost of Euro 77 Million (about ₹ 500 crores) of which Euro 2 Million (about ₹ 13.00 crores) will be passed on to KfW Grant Fund-II (KfW GF-II). Also, the GoTN vide G.O. Ms. No.61, Municipal Administration & Water Supply (MA-II) Department, dated 16.04.2009 prescribed guidelines for operation and management of KfW GF-II.

2. Objectives

The KfW Grant Fund – II is a technical assistance grant and will be used to support the participating Urban Local Bodies (ULBs) and other entities towards consultancy services. The objectives of the Fund are to finance the costs of technical assistance for strengthening of the planning and implementation capacities of ULBs in Tamil Nadu and the Project Executing Agency.

3. Fund Management

The KfW GF-II is managed and operated by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) based on the guidelines prescribed and procedures laid down by the Government, from time to time. TNUIFSL acts as fund manager and Project Executing Agency of KfW GF-II.

4. Fund Size, sources and allocation

The KfW GF-II is part of SMIF-TN Program assisted by KfW. A sum of ₹ 13.00 crores will be passed on to KfW GF - II. The amount will be provided by the Government by way of budgetary allocation, every year. The interest from investments and any other income earned or accruing to Fund will also form part of its corpus and will be applied for the purposes for which the Fund is created.

5. Eligibility Criteria

5.1. Eligible Projects:

The KfW Grant Fund-II will finance

- Consulting services to support the establishment of an Asset / Liability Management System within the Project Executing Agency.

- Consulting Services with respect to the establishment and implementation of the Master Financing Indenture (MFI) and the management and coordination of the municipal pooled bond issues to support the senior level officer exclusively posted for the management of MFI implementation and corporate strategy at the Project Executing Agency.
- Technical ex-past review and evaluation mission(s) by an experienced water supply and sanitation engineer to ongoing and completed projects with proposals and training sessions for quality improvement, avoidance, of the mistakes and lessons to be learnt by contractors and supervisors.
- Capacity building, training and support for project preparation like detailed project reports, other studies, planning, and implementation (supervision, quality control during construction) for ULBs through qualified consultant firms.

5.2 Eligible Grant Applicants

All ULBs in the State of Tamil Nadu and Project Executing Agency are eligible for financial assistance.

6. Procedure for application and approval of grant

6.1 Application for Grant

Application from the ULBs for technical assistance grant shall be submitted through Commissionerate of Municipal Administration / Commissionerate of Town Panchayats, to the fund manager, with the following:

a. Council Resolution

The ULB shall submit a Council Resolution for the required technical assistance and availing the grant under KfW Grant Fund-II.

b. Scope of Technical Assistance

The application from ULBs for technical assistance should contain the details such as name of the project, detailed cost estimate of project, background and need for technical assistance, objectives of the required technical assistance, scope of services required for the technical assistance, data and any other support to be provided by the ULBs, institutional capacity to implement the system and other details to justify the requirement of technical assistance, and a copy of detailed project report of the proposed project for which technical assistance is sought.

c. Details of below poverty line population

In case of the projects which directly benefit the urban low-income population, the justification for the use of the Grant Fund II should be substantiated in the grant proposal by indicating the numbers of targeted-urban low-income population and specific project areas and expected impact on the improvement of the living standard of the targeted population.

6.2 Appraisal of the grant application and the project

The fund manager would process the application and prepare a detailed appraisal about the requirement of the technical assistance, terms of reference for the proposed technical assistance and recommendation on the technical assistance sought.

6.3 Approval by the KfW GF-II Committee

Based on the appraisal, a detailed appraisal report shall be placed before the KfW GF-II Committee, for necessary approval. The Committee will approve the grant provision for the required technical assistance based on the guidelines prescribed, recommendations of the fund manager and on the merits of the proposal.

6.4 Disbursement of Grant

Based on the approval of the Committee, the fund manager will appoint the competent consultant(s). Based on the progress of work after due diligence, the grant shall be disbursed to the consultants in one or more installments.

7. Procurement procedures

Procurement for the projects shall be subject to the procurement guidelines prescribed by International Bank for Reconstruction and Development or KfW. These guidelines may be complemented by the Tamil Nadu Transparency in Tenders Act.

8. Performance

A sum of ₹ 2.28 lakhs only (previous year ₹ 11.05 lakhs) has been disbursed to the consultants during the financial year 2010-2011.

9. Accounts and Audit

The Annual Accounts for the financial year 2010-2011 have been audited by M/s.Anand & Ponnappan, Chartered Accountants, Chennai – 600 017.

AUDITORS' REPORT

TO THE FUND MANAGER OF KfW GRANT FUND II

We have audited the attached financial statement of **KfW Grant Fund II** managed by Tamil Nadu Urban Infrastructure Financial Services Limited as at 31st March 2011, the Receipts and Payments Account for the year ended on that date and Income & Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to our comments as above, we report that

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the procedures & guidelines issued by the Government of Tamil Nadu have been kept so far as it appears from our examination of such books.
- c) The Balance Sheet, Receipts & Payments and the Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet and the Income & Expenditure Account dealt with by this report are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and the generally accepted accounting principles followed in India.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view, subject to the notes given
 - In case of the Balance Sheet, of the state of affairs of **the KfW Grant Fund-II** as at 31.03.2011
 - In case of the Income & Expenditure Account, **of surplus** of the funds for the year ended on that date.

For **Anand & Ponnappan**
Chartered Accountants
Firm's Registration No. 000111S

Sd/-

R. Ponnappan

Membership No.021695

Partner

Place : Chennai
Date : 29.06.2011

KfW GRANT FUND - II
(Grant Fund of Government of Tamil Nadu)
BALANCE SHEET AS AT 31st MARCH 2011

Particulars	Sche- dules	As at 31.03.2011	As at 31.03.2010
		in ₹	
Sources of Fund			
Grant Fund	1	2,14,89,649	2,03,08,960
Total		2,14,89,649	2,03,08,960
Application of Fund			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	73,62,643	1,44,98,751
Loans and Advances	3	1,41,40,242	58,23,445
		2,15,02,885	2,03,22,196
Less: Current Liabilities	4	13,236	13,236
Net Current Assets		2,14,89,649	2,03,08,960
Total		2,14,89,649	2,03,08,960
Notes on Accounts	5		

Schedules referred above form an integral part of accounts

Vide our report of even date attached
For **Anand & Ponnappan**
Chartered Accountants
Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

Sd/-
S. Karuthiah Pandian, IAS
Director

Sd/-
Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of KfW Grant Fund - II)**

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Income		
Interest earned		
On Savings Bank Account	42,835	2,420
On Deposit Accounts	13,81,555	14,37,381
Total	14,24,390	14,39,801
Expenditure		
Management Fee	2,515	12,193
Audit Fee – Statutory Audit	13,236	13,236
Total	15,751	25,429
Excess of Income over Expenditure transferred to Grant Fund	14,08,639	14,14,372
Notes on Accounts (Schedule - 5)		

Schedules referred to above form an integral part of accounts

Vide our report of even date attached

For **Anand & Ponnappan**

Chartered Accountants

Firm Regn. No. 000111S

Sd/-

R. Ponnappan

Partner

Membership No. 021695

Sd/-

S. Karuthiah Pandian, IAS

Director

Sd/-

Anita Praveen, IAS

Chairperson &

Managing Director

(Tamil Nadu Urban Infrastructure Financial Services Limited - Fund Manager of KfW Grant Fund - II)

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	in ₹	
Receipts		
Grant Assistance from Government	0	2,00,00,000
Interest Receipts	14,80,073	4,16,356
Total	14,80,073	2,04,16,356
Payments		
Disbursement to Consultants	2,27,950	11,05,412
Management Fee	2,515	12,193
Statutory Audit Fees	13,236	0
Term Deposit with Companies	83,72,480	48,00,000
Total	86,16,181	59,17,605
Surplus / Deficit for the year	(71,36,108)	1,44,98,751
Add: Opening Cash and Bank Balance	1,44,98,751	0
Closing Cash & Bank Balances	73,62,643	1,44,98,751

Vide our report of even date attached
For **Anand & Ponnappan**
Chartered Accountants
Firm Regn. No. 000111S

Sd/-
R. Ponnappan
Partner
Membership No. 021695

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(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of KfW Grant Fund - II)

Place : Chennai

Date : 29.06.2011

KfW GRANT FUND - II

(Grant Fund of Government of Tamil Nadu)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	As at 31.03.2011	As at 31.03.2010
	in ₹	
Schedule - 1		
Grant Fund		
Balance at the beginning of the year	2,03,08,960	0
Add: Grant assistance received during the year	0	2,00,00,000
Excess of Income over Expenditure	14,08,639	14,14,372
	2,17,17,599	2,14,14,372
Less: Disbursement to consultants	2,27,950	11,05,412
Total	2,14,89,649	2,03,08,960
Schedule - 2		
Current Assets, Loans and Advances		
Cash and Bank Balances		
Cash on hand	0	0
Cash at Bank		
in Savings Bank Account	2,15,429	85,757
in Term Deposit Account	71,47,214	1,44,12,994
Total	73,62,643	1,44,98,751
Schedule - 3		
Loans and advances		
Accrued interest on Term Deposits	9,67,762	10,23,445
Term Deposits with Companies	1,31,72,480	48,00,000
Total	1,41,40,242	58,23,445
Schedule - 4		
Current Liabilities		
Audit Fee payable	13,236	13,236
Total	13,236	13,236

KfW GRANT FUND - II
(Grant Fund of Government of Tamil Nadu)

Notes on Accounts for the year ended 31.03.2011

Schedule 5

1. Nature of operation

The KfW Grant Fund II is a technical assistance fund created by Government of Tamil Nadu to support the participating urban local bodies and other entities towards consultancy services for strengthening of planning and implementation capacities.

2. Significant Accounting Policies

- a) Financial Statements:** The Financial Statements have been prepared under the historical cost convention on an accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.
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- c) Revenue Recognition:** Interest earned on the bank balances and term deposits is recognized on a time proportion basis on the outstanding balance at the applicable rates. Management fee is considered as per contractual obligation entered into with the fund manager.

3. Previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 5

Vide our report of even date attached
For **Anand & Ponnappan**
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Anita Praveen, IAS
Chairperson &
Managing Director

**(Tamil Nadu Urban Infrastructure Financial Services
Limited - Fund Manager of
KfW Grant Fund - II)**

Place : Chennai

Date : 29.06.2011

TNUDF

TAMIL NADU URBAN DEVELOPMENT FUND

Vairam Complex, 1st Floor, 112, Theyagaraya Road, T. Nagar, Chennai - 600 017.

Phone : 044-2815 3104, 2815 3105, 2815 3107 Fax : 044 - 2815 3106

Website : www.tnudf.com