

INDEPENDENT AUDITORS' REPORT

To

The Trustees,

Kerala State Electricity Board Limited Employees Master Pension and Gratuity Trust,
Thiruvananthapuram.

1. Report on the Financial Statements

We have examined the balance sheet of Kerala State Electricity Board Limited Employees Master Pension and Gratuity Trust (hereinafter referred to as the Trust) as at March 31, 2016 and the Receipts & Payments account for the period 01.01.2016 to 31.03.2016 which are in agreement with the books of accounts maintained by the Trust.

2. Management's Responsibility for the Financial Statements

Management of the Trust is responsible for the preparation of these financial statements that give a true and fair view of the receipts & payments and financial position of the Trust. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Basis for qualified opinion

The facts relating to the qualification as detailed in the respective notes to the accounts are as under:

- (i) As detailed in Schedule No. 7.2.2 to the accounts, the actuarial valuation of the liability towards pension and pensionary benefits to the eligible employees of KSEB Limited (transferred from KSE Board) as at the balance sheet date (i.e, 31.03.2016) has not been done as stipulated in AS 15 issued by the Institute of Chartered Accountants of India, but only as on 31.10.2013 the effect of which on the accounts for the period is not ascertainable.

5. Qualified Opinion

In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph the financial statements, 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 31st March, 2016 and
- (ii) In the case of the Receipts and Payments Account, with respect to the receipts and payments for the period from 1st January 2016 to 31st March 2016.

6. Emphasis of matter

We draw attention to the following matters disclosed in Notes to accounts

- (i) As detailed in Schedule No.7.2.3, no income and expenditure account has been prepared by the Trust for reasons stated therein.
- (ii) As detailed in Schedule No. 7.2.9 to the accounts, no provision has been made towards liability in respect of various litigations pending with the Hon. High Court of Kerala relating to pension and pensionary benefits filed by the retired employees against the erstwhile KSE Board and also KSEB Limited.

Our report is not qualified in respect of the above.



Varma & Varma

Chartered Accountants

7. Other matters:

On the basis of audit conducted by us we also report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit expect to the extent otherwise stated in this report.
- b) The Balance Sheet and the Receipts and Payments account dealt with by this report are in agreement with the books of accounts maintained by the Trust.

for Varma & Varma,
Chartered Accountants
FRN.004532S

Rajeev R
(Partner)

M.No.211277

UDIN :20211277AAAABT8210

Place : Thiruvananthapuram
Date : 30.01.2020



Kerala State Electricity Board Limited Employees' Master Pension & Gratuity Trust

BALANCE SHEET AS AT 31.03.2016

LIABILITIES	Sch	As at 31.3.2016 Rs.	ASSETS	Sch	As at 31.3.2016 Rs.
Corpus Fund		10,00,000.00	Receivable from KSEB Ltd. towards Pensionary benefits as per Actuarial Valuation		1,24,19,00,00,000.00
Pension and Gratuity Trust Fund	1	1,24,19,14,54,618.40	Bank accounts:		
TDS Payable		3,00,36,680.00	Trust Account		10,00,000.00
Recoveries for Pensioners Welfare Fund payable		43,48,365.00	Master Trust Units	2	3,79,345.70
Retention amount from Pensioners(TDS on TELS)		13,71,655.00	Receivable from KSEB Ltd. towards recoveries effected from pensioners	3	3,57,56,700.00
			Terminal Benefits receivable from KSEB Ltd.	4	1,54,86,471.00
			Less: Terminal benefits payable to pensioners	5	-1,54,86,471.00
			Receivable from KSEBL- Reimbursement of Expenses	6	10,75,272.70
Total		1,24,22,82,11,318.40	Total		1,24,22,82,11,318.40

Notes to accounts as per Schedule - 7

AUDITORS' REPORT

As per our report of even date attached

for Kerala State Electricity Board Limited
Employees' Master Pension & Gratuity Trust

[Signature]

Chairman & Trustee

[Signature]

Treasurer & Trustee

Thiruvananthapuram

Date : 10.01.2020



for Varma & Varma
Chartered Accountants
FRN : 004532S

[Signature]

Rajeev R
Partner

Membership No. 211277



Thiruvananthapuram
30.01.2020

Kerala State Electricity Board Limited
Employees' Master Pension & Gratuity Trust

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2016

Schedule 1

(in Rs.)

Pension and Gratuity Trust Fund		31.03.2016
Opening Balance		-
Add: Pension and pensionary benefits payable as per Actuarial Valuation liability as at 31.10.2013		1,24,19,00,00,000.00
Add: Receipts		
Interest received from Banks		47,594.40
Other Income		1,000.00
Amount received from KSEB Ltd. for payment of Terminal benefits		2,44,50,48,350.00
Other Income Relating to Prior Periods		3,45,020.00
Less: Payments		
Terminal Benefits paid (Net):		
Terminal Benefits paid (Gross):		
Terminal E/L Surrender (Pensioners)	3,39,90,399.00	
Gratuity	6,28,75,664.00	
Commutation of Pension	4,13,79,407.00	
Regular Pension	96,79,48,303.00	
Family Pension	23,42,00,341.00	
Dearness Relief to Regular Pensioners	1,12,34,06,092.00	
Medical Allowance To Pensioners Completed 70 Years	2,74,16,562.00	
Special Festival Allowance To Pensioners	53,190.00	
Pension - relating to past years	46,55,021.00	
	2,49,59,24,979.00	
Less: Closing Statutory / Recoveries payable:		
Recoveries from pensioners payable to KSEB Ltd.	6,94,462.00	
IT - TDS payable	3,00,36,680.00	
Recoveries and Remittance of Pensioners Welfare Fund	43,48,365.00	
Retention amount from Pensioners(TDS on TELS)	13,71,655.00	
	3,64,51,162.00	
Less: Closing Terminal benefits payable:		
Provision For Gratuity payable	64,79,918.00	
Provision For Pension payable	67,89,789.00	
Provision for Terminal Leave Surrender payable	22,16,764.00	
	1,54,86,471.00	
Total		1,24,19,14,54,618.40

Schedule 2

(in Rs.)

Bank accounts: Master Trust Units		31.03.2016
Electrical Circle (Urban), Thiruvananthapuram		5,199.00
Electrical Division, Adoor		9,880.70
Electrical Division, Alappuzha		-
Electrical Division, Alathur		299.00
Electrical Division, Aluva Town		17.00
Electrical Division, Attingal.		51.00



Electrical Division, Balussery	1,326.00
Electrical Division, Chalakudy	10,640.00
Electrical Division, Changanacherry	160.00
Electrical Division, Chathannoor	56.00
Electrical Division, Chengannoor	4,278.00
Electrical Division, Cherthala	1,554.00
Electrical Division, Chittur	416.00
Electrical Division, Ernakulam	22,821.00
Electrical Division, Feroke	1,120.00
Electrical Division, Haripad	950.00
Electrical Division, Irinjalakuda	346.00
Electrical Division, Iritty	2,700.00
Electrical Division, Kalpetta	625.00
Electrical Division, Kanhangad	972.00
Electrical Division, Kannur	271.00
Electrical Division, Karunagappally	453.00
Electrical Division, Kasaragod	-
Electrical Division, Kattappana	1,795.00
Electrical Division, Kazhakkuttom	438.00
Electrical Division, Kodungallur	1,530.00
Electrical Division, Kollam	525.00
Electrical Division, Kondotty	-
Electrical Division, Kottarakkara	3,614.00
Electrical Division, Kozhikode	45,751.00
Electrical Division, Kundara	3,250.00
Electrical Division, Kunnamkulam	17.00
Electrical Division, Mananthavady	-
Electrical Division, Manjeri	438.00
Electrical Division, Mannarkkad	16,369.00
Electrical Division, Mattancherry	50,416.00
Electrical Division, Mavelikkara	967.00
Electrical Division, Moovattupuzha	-
Electrical Division, N.Parur	660.30
Electrical Division, Nadapuram	6,370.00
Electrical Division, Nedumangad	20,076.00
Electrical Division, Neyyattinkara	341.00
Electrical Division, Nilambur	967.00
Electrical Division, Pala	15.00
Electrical Division, Palakkad	159.00
Electrical Division, Pallom	31,837.00
Electrical Division, Pathanamthitta	174.00
Electrical Division, Pattambi	-
Electrical Division, Payyannur	5,673.70
Electrical Division, Peerumade	2,430.00
Electrical Division, Perinthalmanna	8,600.00
Electrical Division, Perumbavoor.	3,314.00
Electrical Division, Ponkunnam	200.00
Electrical Division, Ponnani	1,190.00
Electrical Division, Punalur	3,600.00



Electrical Division, Shoranur	4,445.00
Electrical Division, Thalassery	1,777.00
Electrical Division, Thiruvalla	1,096.00
Electrical Division, Thodupuzha	211.00
Electrical Division, Thrissur (West)	-
Electrical Division, Thrissur(East)	269.00
Electrical Division, Tirur	910.00
Electrical Division, Tirurangadi	120.00
Electrical Division, Tripunithura	47,435.00
Electrical Division, Vadakara	2,123.00
Electrical Division, Vaikom	1,036.00
Electrical Division, Wadakkancherry	540.00
Generation Circle, Meencut	13.00
Generation Circle, Moolamattom	9,200.00
Generation Circle, Thrissur	-
Office of the Chief Engineer (HRM)	35,319.00
Total	3,79,345.70

Schedule 3

(in Rs.)

Receivable from KSEB Ltd. towards recoveries effected from pensioners		31.03.2016
Recoveries from pensioners Payable to KSEB Ltd.	6,94,462.00	3,64,51,162.00
IT - TDS payable	3,00,36,680.00	
Recoveries and Remittance of Pensioners Welfare Fund	43,48,365.00	
Retention amount from Pensioners(TDS on TELS)	13,71,655.00	
<u>Less:</u> Amount recoverable to KSEB Ltd.		6,94,462.00
Total		3,57,56,700.00

Schedule 4

(in Rs.)

Terminal Benefits receivable from KSEB Ltd.		31.03.2016
For Gratuity		64,79,918.00
For Pension		67,89,789.00
Terminal Leave Surrender		22,16,764.00
Total		1,54,86,471.00

Schedule 5

(in Rs.)

Terminal benefits payable to pensioners		31.03.2016
Provision For Gratuity payable		64,79,918.00
Provision For Pension payable		67,89,789.00
Provision for Terminal Leave Surrender payable		22,16,764.00
Total		1,54,86,471.00

Schedule 6

(in Rs.)

Receivable from KSEBL- Reimbursement of Expenses		31.03.2016
MO Commission		6,01,809.00
Interest on Gratuity		4,70,516.00
Bank Charges		2,947.70
Total		10,75,272.70



Kerala State Electricity Board Limited Employees' Master Pension & Gratuity Trust

RECEIPTS & PAYMENTS A/C FOR THE PERIOD FROM 01.01.2016 TO 31.03.2016

Receipts	Amount (in Rs.)	Payments	Amount (in Rs.)
Opening Balance in Banks	-	Pension & other terminal liabilities disbursed to Pensioners:	
Corpus Fund received from KSEB Ltd.	10,00,000.00	Terminal Benefits- E/L surrender	3,39,90,399
Amount received from KSEB Ltd.	2,44,50,48,350.00	Gratuity	6,28,75,664
Interest received from Banks	47,594.40	Commutation of Pension	4,13,79,407
Prior period Income	3,45,020.00	Regular Pension	96,79,48,303
Other Income	1,000.00	Family Pension	23,42,00,341
		Dearness Relief to Regular Pensioners	1,12,34,06,092
		Medical Allowance To Pensioners Completed 70 Years	2,74,16,562
		Special Festival Allowance To Pensioners	53,190
		Interest on Gratuity	4,70,516
		Pension - relating to past years	46,55,021
		<u>Less: Payable at the year end:</u>	
		Amt. Receivable. From Ex-Employees	6,94,462
		Provision For Gratuity	64,79,918
		Provision For Pension	67,89,789
		Terminal Leave Surrender payable	22,16,764
		IT - TDS payable	3,00,36,680
		Recoveries and Remittance of Pensioners Welfare Fund	43,48,365
		Retension amount from Pensioners	13,71,655
			5,19,37,633.00
			2,44,44,57,862.00
		MO Commission	6,01,809.00
		Bank Charges	2,947.70
		Closing Balance in Banks	13,79,345.70
Total	2,44,64,41,964.40	Total	2,44,64,41,964.40



**KERALA STATE ELECTRICITY BOARD LIMITED
EMPLOYEES MASTER PENSION AND GRATUITY TRUST
Thiruvananthapuram**

Schedule 7

Notes attached to and forming part of the accounts for the period 01/01/2016 to 31/03/2016

About the Trust

The Trust has been formed with the objective of making arrangements for the payment of pension and terminal benefits to the employees of the erstwhile KSE Board in pursuance of the order of the Government of Kerala -Kerala Electricity Second Transfer Scheme (Re-vesting) 2013 vide GO (P) No.46/2013/PD dt 31.10.2013 read with GO (P) No.3/2015/PD dt 28.1.2015 and the Tripartite agreement entered into among Government of Kerala , Kerala State Electricity Board Limited and Kerala State Electricity Board Employees Unions and Associations dt 1.8.2014.

1. Significant Accounting Policies

1. Basis of accounting

The accounts are maintained on accrual basis and all known expenses/income have been accounted for except amounts receivable from family members of deceased pensioners for the pension paid for the period after the death of the pensioner, which is accounted for on cash basis. Interest income on savings bank accounts and sweep accounts are also accounted for on cash basis.

2. Investments

Investments are either classified as current or long term based on Management's intention. Current investments are carried at the lower of cost and fair value of each investment individually. Long term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment

3. Retirement Benefits

Retirement benefits in the nature of Pension, Gratuity and Encashment of earned leave are determined and provided for on the basis of actuarial valuation.

Other benefits to the retired employees like medical, festival allowance, etc. are written off in the year in which the same are incurred.

2. Other Notes to accounts

1. The Trust was registered on 12/02/2015, However since the initial corpus of the Trust amounting to Rs.10 lakh was paid by Kerala State Electricity Board Limited on 01.01.2016 only, the Trust is deemed to have commenced operations from that date only and the initial financial statements have been prepared for the period from 01.1.2016 to 31.3.2016.
2. As per the GO and the agreements on the basis of which the Trust has been created, the Net Present Value of the unfunded liability towards pension and pensionary benefits has been actuarially valued at Rs.12,419 Crores as on 31.10.2013. As per GO.(P) No.3/2015/PD dt 28.1.2015, the unfunded liability of Rs.12,419 crores will be funded as under:

Bonds issued by KSEB

20 Year bond with coupon rate of 10%	8144 Crores
10 Year bond with coupon rate of 9%	3751 Crores
State Government Support through budgetary provision @ Rs.52.40 Crores per year for 10 years	524 Crores



In addition, KSEB will pay annual pension contribution based on actuarial valuation in respect of the personnel of KSEB.

During the year, the actuarial valuation of the liability towards pension and pensionary benefits to the eligible employees of KSEB Limited (transferred from KSE Board) has not been done. However, the actuarial liability as at 31.10.2013 has been provided for in the accounts and the same is shown as "Pension and pensionary benefits payable as per Actuarial Valuation liability as at 31.10.2013", included in "Pension and Gratuity Trust Fund" and the said amount has been shown as "Receivable from KSEB Ltd. towards pensionary benefits as per Actuarial Valuation".

3. No Income and Expenditure account has been prepared as the Trust is only acting as the intermediary institution for effecting disbursement of Pension, Gratuity and other retirement benefits of the employees of erstwhile KSEB and the receipts / payments are accordingly credited / debited to the fund account. There is no revenue earning activity for the trust in view of the above.
4. As per Clause 25 of the Trust deed, the Trustees have to invest the funds of the Trust to earn adequate returns to provide the terminal benefits to the members in accordance with the terms and conditions attached thereto. In accordance with the above, income by way of interest and other miscellaneous income received has been credited to the "Pension and Gratuity Trust Fund account" in the balance sheet. Contribution received from KSEB Ltd. has been credited and pension/ pensionary benefits paid has been debited to the above fund account.
5. The Trust is not liable for pension payable to personnel who joined KSEB Ltd. during the period 01/04/2013 to 31/10/2013 as the pension of personnel who have joined the service of KSEB on or after 01/04/2013 will be governed by the National Pension System (NPS) adopted vide BO (FB) No. 843/2013 (PRC/335/2013), dated 09/04/2013 and the Government orders, Circulars and guidelines issued from time to time in this regard. However, the Trust is liable for gratuity and terminal leave surrender of employees joined during the period 01/04/2013 to 31/10/2013.
6. Amount of pension and other retirement benefits for the year outstanding for payment as at the close of the year has been net off against amount receivable from KSEB towards discharge of such liability in the balance sheet.
7. Amounts receivable from KSEB as disclosed in Schedule No. 3 to the Balance sheet represents recoveries made from the payment to the pensioners towards TDS, payment to KSFE, etc. which has not been discharged pending receipt of the amount from KSEB Ltd.
8. The Trust has been granted approval of gratuity scheme under rule 2(1) of Part C of the fourth schedule of Income Tax Act, 1961 with effect from 12.02.2015 vide C. No. 304/Gratuity/5/Pr. CIT/TVM/2015-16 DATED 29/08/2016.
9. Contingent liabilities in respect of various litigations pending with the Hon. High Court of Kerala relating to pension and pensionary benefits filed by the retired employees against the erstwhile KSE Board and also KSEB Limited is not ascertainable and hence not disclosed in the accounts.

For **KERALA STATE ELECTRICITY BOARD LIMITED**
EMPLOYEES MASTER PENSION AND GRATUITY TRUST

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Sankar

Raj

