

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, 2017 and the Receipts & Payments account for the year ended on that date 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 and 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, 31.03.2017) 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, 2017 and
- (ii) In the case of the Receipts and Payments Account, with respect to the receipts and payments for the period ended 31st March 2017.

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 : 20211277AAAABU2606

Place : Thiruvananthapuram

Date : 30.01.2020



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

BALANCE SHEET AS AT 31.03.2017

As at 31.3.2016 Rs.	LIABILITIES	Sch	As at 31.3.2017 Rs.	As at 31.3.2016 Rs.	ASSETS	Sch	As at 31.3.2017 Rs.
10,00,000.00	Corpus Fund		10,00,000.00	1,24,19,00,00,000.00	Receivable from KSEB Ltd. towards Pensionary benefits as per Actuarial Valuation		1,24,19,00,00,000.00
1,24,19,14,54,618.40	Pension and Gratuity Trust Fund	1	1,24,19,84,36,215.10		Bank accounts:		
3,00,36,680.00	TDS Payable		6,86,15,973.00	10,00,000.00	Trust Account		10,12,684.00
-	Recov & Remit. To Other Depts		1,19,696.00	3,79,345.70	Master Trust Units	2	37,65,750.40
-	Recov. & Remit. To KSFE		1,24,000.00	3,57,56,700.00	Receivable from KSEB Ltd. towards recoveries effected from pensioners	3	8,21,06,703.00
43,48,365.00	Recoveries for Pensioners Welfare Fund payable		2,74,040.00	1,54,86,471.00	Terminal Benefits receivable from KSEB Ltd	4	63,48,47,843.00
-	State Cheques		3,97,432.00	-1,54,86,471.00	Less: Terminal benefits payable to pensioners	5	-63,48,47,843.00
13,71,655.00	Retention amount from Pensioners(TDS on TELS)		1,25,75,562.00	10,75,272.70	Receivable from KSEBL- Reimbursement of Expenses	6	46,57,780.70
1,24,22,82,11,318.40	Total		1,24,28,15,42,918.10	1,24,22,82,11,318.40	Total		1,24,28,15,42,918.10

Notes to accounts as per Schedule - 7

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

[Signature]
Chairman & Trustee

[Signature]
Treasurer & Trustee

Thiruvananthapuram
Date : 10.01.2020



AUDITORS' REPORT
As per our report of even date attached

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, 2017

Schedule 1			(in Rs.)
31.03.2016	Pension and Gratuity Trust Fund		31.03.2017
-	Opening Balance		1,24,19,14,54,618.40
1,24,19,00,00,000.00	Add: Pension and pensionary benefits payable as per Actuarial Valuation liability as at 31.10.2013		-
	Add: Receipts		
47,594.40	Interest received from Banks		8,88,960.70
1,000.00	Other Income		610.00
2,44,50,48,350.00	Amount received from KSEB Ltd. for payment of Terminal benefits		13,38,96,20,637.00
3,45,020.00	Other Income Relating to Prior Periods		12,72,483.00
	Less: Payments		
	Terminal Benefits paid (Net):		
	Terminal Benefits paid (Gross):		
3,39,90,399.00	Terminal E/L Surrender (Pensioners)	32,48,04,775.00	
6,28,75,664.00	Gratuity	48,85,49,640.00	
4,13,79,407.00	Commutation of Pension	57,98,25,048.00	
96,79,48,303.00	Regular Pension	6,27,79,36,196.00	
23,42,00,341.00	Family Pension	1,52,16,12,518.00	
1,12,34,06,092.00	Dearness Relief to Regular Pensioners	2,38,10,17,573.00	
2,74,16,562.00	Medical Allowance To Pensioners Completed 70 Years	12,10,15,431.00	
53,190.00	Special Festival Allowance To Pensioners	2,54,54,351.00	
46,55,021.00	Pension - relating to past years	60,13,38,968.00	
-	Arrear Pensions	1,73,10,88,922.00	
		14,05,26,43,422.00	
	Add: Opening 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	
	Add: Opening 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	
	Less: Closing Statutory / Recoveries payable:		
6,94,462.00	Recoveries from pensioners Payable to KSEB Ltd.	28,25,415.00	
3,00,36,680.00	IT - TDS payable	6,86,15,973.00	
-	Recov.& Remit. To Other Depts.	1,19,696.00	
-	Recov.& Remit. To KSFE	1,24,000.00	
43,48,365.00	Recoveries and Remittance of Pensioners Welfare Fund	2,74,040.00	
-	Stale Cheques	3,97,432.00	
13,71,655.00	Retention amount from Pensioners(TDS on TELS)	1,25,75,562.00	
		8,49,32,118.00	
	Less: Closing Terminal benefits payable:		
64,79,918.00	Provision For Gratuity payable	22,62,034.00	
67,89,789.00	Provision For Pension payable	63,15,60,292.00	
22,16,764.00	Provision for Terminal Leave Surrender payable	10,25,517.00	
2,44,39,87,346.00		63,48,47,843.00	13,38,48,01,094.00
1,24,19,14,54,618.40	Total		1,24,19,84,36,215.10



Schedule 2

(in Rs.)

31.03.2016	Bank accounts: Master Trust Units	31.03.2017
5,199.00	Electrical Circle (Urban),Thiruvananthapuram	51,944.00
9,880.70	Electrical Division, Adoor	17,375.70
-	Electrical Division, Alappuzha	-
299.00	Electrical Division, Alathur	58.00
17.00	Electrical Division, Aluva Town	62.00
51.00	Electrical Division, Attingal	931.00
1,326.00	Electrical Division, Balussery	-
10,640.00	Electrical Division, Chalakudy	790.00
160.00	Electrical Division, Changanacherry	51,204.00
56.00	Electrical Division, Chathannoor	536.00
4,278.00	Electrical Division, Chengamoor	5,100.00
1,554.00	Electrical Division, Cherthala	15,002.20
416.00	Electrical Division, Chittur	20,942.70
22,821.00	Electrical Division, Ernakulam	-6,792.00
1,120.00	Electrical Division, Feroke	8,90,121.00
950.00	Electrical Division, Haripad	43,765.00
346.00	Electrical Division, Irinjalakuda	10,909.50
2,700.00	Electrical Division, Iritty	1,803.00
625.00	Electrical Division, Kalpetta	1,424.00
972.00	Electrical Division, Kanhangad	8,796.00
271.00	Electrical Division, Kannur	-
453.00	Electrical Division, Karunagappally	67,218.00
-	Electrical Division, Kasaragod	66.00
1,795.00	Electrical Division, Kattappana	301.00
438.00	Electrical Division, Kazhakkuttom	2,19,138.00
1,530.00	Electrical Division, Kodungallur	601.00
525.00	Electrical Division, Kollam	2,030.00
-	Electrical Division, Kondotty	10,55,386.00
3,614.00	Electrical Division, Kottarakkara	16,930.00
45,751.00	Electrical Division, Kozhikode	1,36,177.00
3,250.00	Electrical Division, Kundara	53,315.00
17.00	Electrical Division, Kunnankulam	-
-	Electrical Division, Mananthavady	3,037.50
438.00	Electrical Division, Manjeri	684.00
16,369.00	Electrical Division, Mannarkkad	2,499.00
50,416.00	Electrical Division, Mattancherry	81,687.40
967.00	Electrical Division, Mavelikkara	14,283.00
-	Electrical Division, Moovattupuzha	2,281.00
660.30	Electrical Division, N.Parur	4,745.30
6,370.00	Electrical Division, Nadapuram	4,691.00
20,076.00	Electrical Division, Nedumangad	1,939.00
341.00	Electrical Division, Neyyattinkara	5,346.70
967.00	Electrical Division, Nilambur	1,483.00
15.00	Electrical Division, Pala	6,559.00
159.00	Electrical Division, Palakkad	19,381.00
31,837.00	Electrical Division, Pallom	-269.90
174.00	Electrical Division, Pathanamthitta	1,18,244.00
-	Electrical Division, Pattambi	170.00
5,673.70	Electrical Division, Payyannur	15,076.40
2,430.00	Electrical Division, Peerumade	7,371.00
8,600.00	Electrical Division, Perinthalmanna	1,94,063.50
3,314.00	Electrical Division, Perumbavoor	23,025.00
200.00	Electrical Division, Ponkunnam	4,626.00
1,190.00	Electrical Division, Ponnani	360.00
3,600.00	Electrical Division, Punalur	5,625.00
4,445.00	Electrical Division, Shoranur	468.00
1,777.00	Electrical Division, Thalassery	1,765.00
1,096.00	Electrical Division, Thiruvalla	60,353.70
211.00	Electrical Division, Thodupuzha	6,847.00
-	Electrical Division, Thrissur (West)	2,629.00
269.00	Electrical Division, Thrissur (East)	1,55,167.00



910.00	Electrical Division, Tirur	2,717.00
120.00	Electrical Division, Tirurangadi	1,494.00
47,435.00	Electrical Division, Tripunithura	2,628.00
2,123.00	Electrical Division, Vadakara	1,03,816.00
1,036.00	Electrical Division, Vaikom	10,911.00
540.00	Electrical Division, Wadakkancherry	3,637.00
13.00	Generation Circle, Meenut	19,979.00
9,200.00	Generation Circle, Moolamattom	34,770.00
-	Generation Circle, Thrissur	120.00
35,319.00	Office of the Chief Engineer (HRM)	1,76,406.70
3,79,345.70	Total	37,65,750.40

Schedule 3 (in Rs.)

31.03.2016	Receivable from KSEB Ltd. towards recoveries effected from pensioners	31.03.2017
6,94,462.00	Recoveries from pensioners Payable to KSEB Ltd.	28,25,415.00
3,00,36,680.00	IT - TDS payable	6,86,15,973.00
-	Recov. & Remit. To Other Depts.	1,19,696.00
-	Recov. & Remit. To KSFE	1,24,000.00
43,48,365.00	Recoveries and Remittance of Pensioners Welfare Fund	2,74,040.00
-	Stale Cheques	3,97,432.00
13,71,655.00	Retention amount from Pensioners(TDS on TELS)	1,25,75,562.00
6,94,462.00	Less: Amount recoverable to KSEB Ltd.	28,25,415.00
3,57,56,700.00	Total	8,21,06,703.00

Schedule 4 (in Rs.)

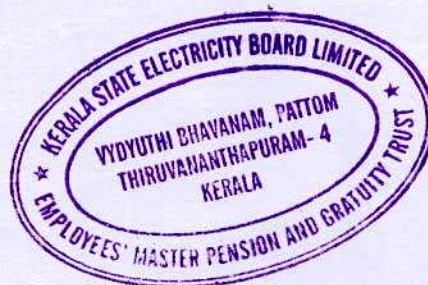
31.03.2016	Terminal Benefits receivable from KSEB Ltd.	31.03.2017
64,79,918.00	For Gratuity	22,62,034.00
67,89,789.00	For Pension	63,15,60,292.00
22,16,764.00	Terminal Leave Surrender	10,25,517.00
1,54,86,471.00	Total	63,48,47,843.00

Schedule 5 (in Rs.)

31.03.2016	Terminal benefits payable to pensioners	31.03.2017
64,79,918.00	Provision For Gratuity payable	22,62,034.00
67,89,789.00	Provision For Pension payable	63,15,60,292.00
22,16,764.00	Provision for Terminal Leave Surrender payable	10,25,517.00
1,54,86,471.00	Total	63,48,47,843.00

Schedule 6 (in Rs.)

31.03.2016	Receivable from KSEBL- Reimbursement of Expenses	31.03.2017
-	Opening Balance	10,75,272.70
	Add: Current year expenses:	
6,01,809.00	MO Commission	14,58,920.00
-	Other Professional Charges	5,150.00
4,70,516.00	Interest on Gratuity	20,74,508.00
2,947.70	Bank Charges	43,930.00
10,75,272.70	Total	46,57,780.70



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

RECEIPTS & PAYMENTS A/C FOR THE YEAR ENDED 31.03.2017

Receipts	Amount (in Rs.)	Payments	Amount (in Rs.)
Opening Balance in Banks	13,79,345.70	Pension & other terminal liabilities disbursed to Pensioners:	
Amount received from KSFB Ltd.	13,38,96,20,637.00	Terminal Benefits- E/L surrender	32,48,04,775.00
Interest received from Banks	8,88,960.70	Gratuity	48,85,49,640.00
Prior period Income	12,72,483.00	Commutation of Pension	57,98,25,048.00
Other Income	610.00	Regular Pension	6,27,79,36,196.00
		Family Pension	1,52,16,12,518.00
		Dearness Relief to Regular Pensioners	2,38,10,17,573.00
		Medical Allowance To Pensioners Completed 70 Years	12,10,15,431.00
		Special Festival Allowance To Pensioners	2,54,54,351.00
		Interest on Gratuity	20,74,508.00
		Pension - relating to past years	2,33,24,27,890.00
		<u>Add: Payable at Opening of the year:</u>	
		Amt. Receivable. From Ex-Employees	6,94,462.00
		Provision For Gratuity	64,79,918.00
		Provision For Pension	67,89,789.00
		Terminal Leave Surrender payable	22,16,764.00
		IT - TDS payable	3,00,36,680.00
		Recoveries and Remittance of Pensioners Welfare Fund	43,48,365.00
		Retention amount from Pensioners	13,71,655.00
		<u>Less: Payable at the year end:</u>	
		Amt. Receivable. From Ex-Employees	28,25,415.00
		Provision For Gratuity	22,62,034.00
		Provision For Pension	63,15,60,292.00
		Terminal Leave Surrender payable	10,25,517.00
		IT - TDS payable	6,86,15,973.00
		Recov.& Remit. To Other Depts.	1,19,696.00
		Recov.& Remit. To KSFE	1,24,000.00
		Recoveries and Remittance of Pensioners Welfare Fund	2,74,040.00
		Stale Cheques	3,97,432.00
		Retention amount from Pensioners	1,25,75,562.00
			71,97,79,961.00
			13,38,68,75,602.00
		MO Commission	14,58,920.00
		Other Professional Charges	5,150.00
		Bank Charges	43,930.00
		Closing Balance in Banks	47,78,434.40
Total	13,39,31,62,036.40	Total	13,39,31,62,036.40



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 year ended 31.03.2017

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 1.1.2016 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 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

Sankar

R. R. R.

